

INTERNET DOCUMENT INFORMATION FORM

**A . Report Title: BIENNIAL FINANCIAL MANAGEMENT
IMPROVEMENT PLAN, VOL I**

B. DATE Report Downloaded From the Internet: 26 MAY 99

**C. Report's Point of Contact: (Name, Organization, Address,
Office Symbol, & Ph #:) WILLIAM S. COHEN
DEPARTMENT OF DEFENSE
WASHINGTON, DC**

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

**F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __PM__ Preparation Date: 26 MAY 99**

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.

DEPARTMENT OF DEFENSE

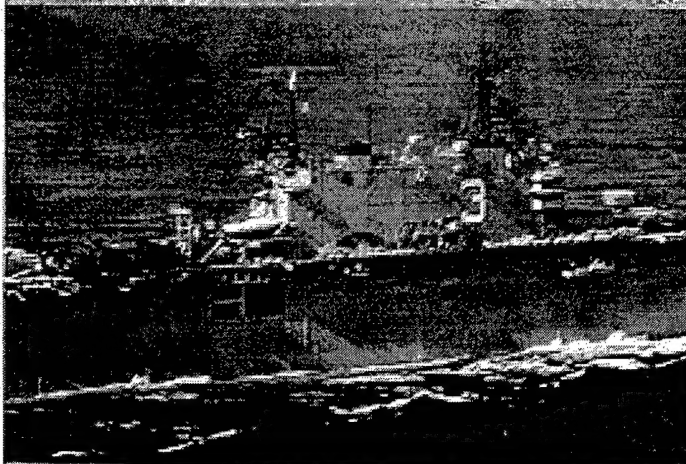
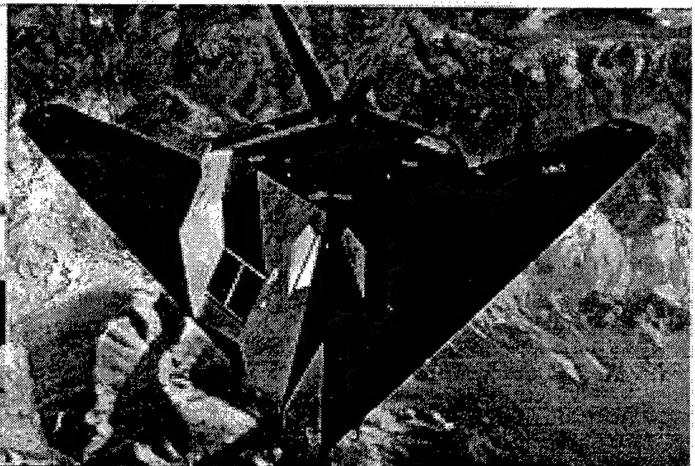
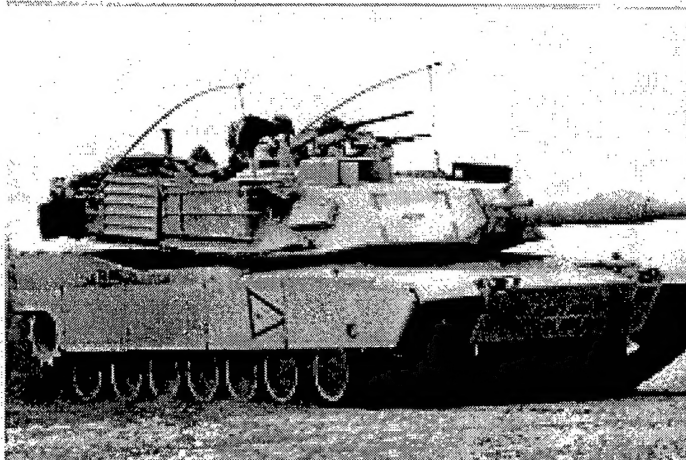
19990528 007

**BIENNIAL FINANCIAL MANAGEMENT
IMPROVEMENT PLAN**

VOLUME I



DEPARTMENT OF DEFENSE



Biennial Financial Management Improvement Plan

DISTRIBUTION STATEMENT
Approved for Public Release
Distribution Unlimited

Volume I of II
September 1998

A Message From the Secretary of Defense

I am pleased to present the first Biennial Financial Management Improvement Plan (Biennial Plan) for the Department of Defense. The Biennial Plan touches on almost all aspects of financial management within the Department of Defense. It includes, for the first time, a financial management concept of operations that describes the manner in which the Department intends to carry out financial management operations in the future.

There is no other organization that is as large and diverse as the Department of Defense. The Department manages over a trillion dollars in assets and maintains over 500 bases in 150 countries and territories throughout the world. We employ over two million active duty and reserve personnel as well as 700,000 civilian employees. The size of the three Military Departments of the Department of Defense, the Army, the Navy and the Air Force collectively, dwarf the largest organizations in the private sector as well as all other federal agencies.

The size and complexity of the Department of Defense makes changing the Department's financial management a significant challenge. However, it is a top priority. During the last 4 years the Department has undertaken the most comprehensive reform of financial management systems and practices in the Department's history and has made significant progress. Financial operations have been consolidated, the number of finance and accounting systems have been significantly reduced, standard systems have been designated, ambitious deployment schedules have been established and implemented, duplicate systems have been eliminated, and business practices have been reengineered to adopt best practices from both the private and government sectors.

The Department has established its strategy with the Biennial Plan to manage our future financial management operations. While we have made significant progress, we are committed to, and will aggressively continue, our financial reforms to meet the President's challenge to produce auditable financial statements.

A handwritten signature in black ink, reading "William S. Cohen". The signature is stylized, with a large, looped "W" and a distinct "C" at the end.

William S. Cohen

Statement of the Under Secretary of Defense (Comptroller)

With the Biennial Financial Management Improvement Plan (Biennial Plan), the Department of Defense has developed, for the first time, a strategic financial improvement plan that includes the Department's financial management concept of operations and addresses both its financial systems and program feeder systems that originate and provide the majority of the financial source data.

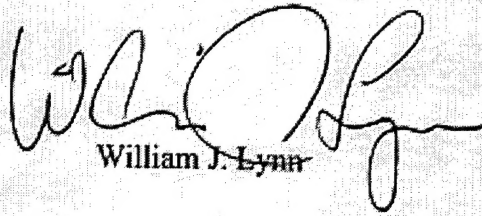
The model we chose for the concept of operations is one that is adaptable to a changing environment and provides the breadth and depth needed to guide the Department in improving its financial management operations. The Department's model addresses those requirements that must be met in order to achieve effective financial management; identifies the roles and responsibilities that financial managers, operational commanders, and program managers must have in financial management; and describes the supporting infrastructure that is needed.

The Biennial Plan presents a model that serves the Department in two very important aspects. First, it provides the guidance needed to ensure organizations conform to the requirements necessary to achieve compliant, auditable financial data, while allowing them the flexibility to implement processes and systems essential for their individual operations. Second, it provides a framework with the flexibility to adapt to new federal accounting standards and the ability to take advantage of changing technology.

The Department recognizes that improving its financial business practices is a significant challenge. This Biennial Plan takes a major step toward meeting the challenge. For the first time, the Department has established the scope of the initiatives being undertaken to improve its financial operations. The Biennial Plan not only identifies the initiatives that we are implementing to improve our financial systems and processes, but also those initiatives that the Military Departments and the Defense Agencies are implementing to improve the financial data provided by their feeder systems. Our long-term strategy focuses on reengineering or replacing feeder systems with systems that are compliant with the new federal accounting standards and that will interface well with the Department's financial systems. The challenge for the next Biennial Plan will be to link more closely, financial and feeder system improvement initiatives so that corrective actions can be better integrated and coordinated among the various organizations.

The Department clearly understands the importance of effective internal controls in all facets of its business practices. Effective internal controls in financial systems, organizational structures, and business practices are embedded throughout the Biennial Plan. Proposed changes will strengthen the Department's internal controls, as will a very aggressive program to train military and civilian members at all levels in the Department, in the areas of financial management controls.

With the Biennial Plan, the Department has established, in a single plan, how it will manage its future financial management operations to meet the Department's information needs at all levels and produce auditable financial statements.



William J. Lynn

BIENNIAL FINANCIAL MANAGEMENT IMPROVEMENT PLAN**VOLUME I TABLE OF CONTENTS****SECTION**

FOREWORD	i
EXECUTIVE SUMMARY	vii
SECTION I - INTRODUCTION	
Document Scope and Objective	I – 1
Biennial Plan Organization	I – 2
Volume I Organization and Content	I – 2
SECTION II - CONCEPT OF OPERATIONS	
Introduction to the Concept of Operations	II – 1
Legislative Background	II – 1
Purpose and Scope	II – 1
Conceptual Framework	II – 2
Mission Statement	II – 3
Vision Statement	II – 3
Functional Concept	II – 4
Functional Leaders	II – 4
Joint Financial Management Improvement Program (JFMIP)	II – 4
DoD Financial Management Requirements	II – 5
Program Financial Management Requirements	II – 8
Core Accounting and Financial Management Requirements	II – 10

Transaction Processing Functions	II – 13
Accounting and Reporting Functions	II – 14
Policy and Oversight	II – 15
Oversight, Compliance Definition, Improvements, and Reporting	II – 17
Infrastructure Concept	II – 19
Operating Infrastructure	II – 19
Technical Infrastructure	II – 21
Summary	II – 30
 SECTION III - CURRENT ENVIRONMENT	 III – 1
Introduction to the Current Environment	III – 1
Purpose	III – 1
Achievements and Progress to Date	III – 2
DoD Goals	III – 2
DoD Achievements	III – 2
Roles and Responsibilities	III – 6
Organization and Management	III – 6
Finance and Accounting Structure	III – 11
Operational Structure	III – 11
DFAS Functions	III – 11
The Military Departments and the Defense Agencies	III – 12
Technical Supporting Structure	III – 13
Financial Management Status	III – 15
Scope	III – 15
Status of Impediments to Auditable Financial Statements	III – 15
Inadequacies in the Program Feeder Area	III – 15
Inadequacies in the Core Systems Area	III – 18
Internal Environment	III – 23
External Environment	III – 24

Remediation Plan Analysis	III – 27
Background	III – 27
Remediation Plan Discussion	III – 27
Summary	III – 28
Analysis of Current DoD Financial Management	III – 29
Scope	III – 29
Current Assessment	III – 29
Transition to the Future Environment	III – 29

SECTION IV - TRANSITION PLAN

Introduction to the Transition Plan	IV – 1
Purpose	IV – 1
Transition Approach	IV – 1
Goals and Strategies	IV – 1
Transitioning to the Future Environment	IV – 3
Initiatives are the Key to Implementing Strategies	IV – 4
Functional Summaries	IV – 5
Acquisition	IV – 6
Personnel	IV – 11
Cost Management	IV – 15
Property Management	IV – 20
Inventory Management	IV – 24
Receivables/Collections/Debt Management	IV – 28
Payables: Vendor, Contract, and Disbursements	IV – 30
Payroll: Military, Civilian, Retiree, and Annuitant	IV – 36
Property Accounting	IV – 40
Inventory Accounting	IV – 42
General Ledger	IV – 44
Funds Control	IV – 50

Functional Summaries (continued)

Cost Accounting	IV – 52
Cash Management	IV – 81
Human Resources	IV – 83
Internal Controls	IV – 86
System Applications	IV – 89
System Architecture	IV – 92
Data Structures	IV – 94
Organization	IV – 97
Computer Security and Year 2000	IV – 99

SECTION V - SPECIAL INTEREST ITEMS

Special Interest Items	V – 1
Finance and Accounting Systems	V – 2
Systems Consolidation	V – 2
Finance and Accounting Systems Consolidation	V – 3
Progress to Date	V – 4
Cost Savings	V – 4
Costs and Disadvantages of Integrating Financial Systems	V – 5
Summary	V – 5
Data Accuracy and Internal Control Weaknesses	V – 7
Identification of Data Problems	V – 7
Budget and Accounting Classification Architecture	V – 7
Global Edit Tables	V – 9
Corporate Database & Corporate Data Warehouse	V – 9
United States Standard General Ledger	V – 10
Internal Controls	V – 10
Internal Control Corrective Action	V – 11
Summary	V – 12
Problem Disbursements	V – 13
Current Elimination of Problem Disbursements	V – 13

Short Term Strategies for the Elimination of Problem Disbursements	V – 13
Long Term Strategies for the Elimination of Problem Disbursements	V – 14
Summary	V – 15
Integration, Consolidation, and Elimination of Data Feeder Systems	V – 16
Identification of Problems	V – 16
Department Initiatives to Integrate “Feeder Systems” with Finance and Accounting Systems	V – 16
Army Initiatives to Integrate “Feeder Systems” with Finance and Accounting Systems	V – 17
Navy Initiatives to Integrate “Feeder Systems” with Finance and Accounting Systems	V – 19
Air Force Initiatives to Integrate “Feeder Systems” with Finance and Accounting Systems	V – 20
Summary	V – 22
Financial Management Competency	V – 23
Financial Management Community Executive Committee and Civilian Professional Development and Training Work Group	V – 23
Rotational Training Assignments	V – 24
Formal Education	V – 24
Objectives	V – 25
Summary	V – 26
OPLOC and Center Organization	V – 27
Identification of Problems at the Centers and Operating Locations	V – 27
Business Process Improvements and Corrective Action	V – 27
Summary	V – 28
OPLOC and Center Performance	V – 29
Defense Finance and Accounting Service	V – 29
Business Process Improvements and Corrective Action	V – 29
Problems	V – 29
Advantages/Savings	V – 30
Disadvantages/Costs	V – 30
Summary	V – 30

Contracting and Outsourcing	V – 31
Private Sector Assistance	V – 31
DFAS Contracting and Outsourcing	V – 31
Summary	V – 32
 APPENDIX A - REGULATORY REQUIREMENTS MATRICES	 A – 1
 APPENDIX B - REPORT ON ACCOUNTING SYSTEM CONFORMANCE	 B – 1
 APPENDIX C - FUNCTIONS AND INITIATIVES QUICK REFERENCE LIST	 C – 1
 APPENDIX D - ACRONYMS	 D – 1

FOREWORD

Legislative Requirement

The National Defense Authorization Act of 1998 (the Act) directed the Department of Defense (the Department) to create a Biennial Financial Management Improvement Plan (Biennial Plan). The Act requires the Secretary of Defense to submit this strategic plan to Congress no later than September 30, of each even-numbered year.

The Biennial Plan is required to address financial management within the Department, including feeder systems not owned or controlled by the financial community that provide data to the Department's finance and accounting systems. The Act also requires the Biennial Plan to contain a concept of operations detailing how the Department intends to manage its financial operations.

Additional Reporting Requirements

Since the Biennial Plan addresses almost all aspects of the Department's financial management operations, it covers many of the financial reporting requirements specified in other regulatory legislation. The Biennial Plan is structured as a single integrated plan that incorporates these other regulatory reporting requirements. As a result, the information contained in the Biennial Plan not only satisfies the 1998 National Defense Authorization Act, but it also satisfies these additional regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
 - Remediation Plan - Federal Financial Management Improvement Act of 1996, submitted annually September 30
 - Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31
-

Biennial Plan is Divided into Two Volumes

Because of the range and amount of detailed information contained in the Biennial Plan, the Biennial Plan is divided into two volumes. Volume I contains the Department's financial management Concept of Operations detailing how the Department's leadership intends to manage its financial operations in the future and outlines actions required to achieve the Concept of Operations. Volume II provides more details on many of the Department's initiatives described in the Biennial Plan.

**Volume I
Overview**

Volume I of the Biennial Plan begins with the Department's Concept of Operations (Concept). The Concept describes how the Department intends to perform financial management operations. The Department intends to use the Concept to guide the transition and evolution of its financial management policies, systems, functions, and improvement initiatives.

The Concept addresses the Department's financial management roles and responsibilities, DoD financial management requirements, policy, and oversight as well as the Department's financial operating and technical infrastructure. It focuses on efficient and effective operations and system architectures that include finance and accounting systems, program feeder systems, and technical infrastructure.

The Concept is followed by the Current Environment section. This section highlights the substantial progress the Department has made in improving its financial management operations. It also describes the Department's current financial management roles and responsibilities, as well as impediments that the Department is working to resolve.

The Transition Plan follows the Current Environment section. It identifies and documents the actions required to bridge the gap between the current financial environment and the future environment described in the Concept. The Transition Plan includes goals and strategies, corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move to the future environment.

In addition to developing a strategic plan for improving the Department's financial management operations, the Congress also directed that the Biennial Plan address specific interest items. The final section of Volume I provides the Department's response to specific questions on: finance and accounting systems; data feeder systems; problem disbursements; financial management competency; the organization and performance of the Defense Finance and Accounting Service's operating locations and centers; and the feasibility of contracting and outsourcing finance and accounting functions.

**Volume II
Overview**

Volume II contains the detailed supporting documentation on the Department's financial management improvement initiatives described in Volume I. Details on corrective actions, milestones, supporting systems architectures, benefits, and responsible organizations are described on each improvement initiative. The first section describes the initiatives improving the Department's feeder systems, the second section describes the initiatives improving the Department's accounting and finance systems, and the last section describes the initiatives improving the Department's financial management support infrastructure.

**Biennial Plan
Result**

The Biennial Plan defines the financial management environment the Department wants to attain in the future and provides a concept of operations to guide its transition. It addresses the issues the Department needs to resolve and provides a plan of action with specific improvement initiatives to accomplish the transition.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Background

The National Defense Authorization Act of 1998 (the Act) directed the Department of Defense (the Department) to create a Biennial Financial Management Improvement Plan (Biennial Plan). The Act requires the Secretary of Defense to submit to Congress, no later than September 30 of each even-numbered year, a biennial strategic plan for improving financial management within the Department.

A major goal of the Biennial Plan is to create a single integrated plan that incorporates existing regulatory reporting requirements. The range of information contained in the Biennial Plan satisfies the 1998 National Defense Authorization Act and the following additional regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
- Remediation Plan – Federal Financial Management Improvement Act of 1996, submitted annually September 30
- Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31

The Biennial Plan provides an overall look at the Department's future environment or Concept of Operations (Concept), describes the current operating environment, reviews recent financial management reforms, and outlines how the current financial environment will transition to the future environment. It also responds to special interest items the Act specified be addressed in the Biennial Plan.

The Biennial Plan is Divided into Two Volumes

Due to the range and amount of detailed information contained in the Biennial Plan, the Biennial Plan is divided into two volumes. Volume I contains the Department's financial concept of operations detailing how the Department's leadership intends to manage its financial operations in the future and a transition plan that outlines the improvements required. The final section provides the Department's response to specific questions on finance and accounting systems, data feeder systems, problem disbursements, financial management competency, the organization and performance of the Defense Finance and Accounting Service's operating locations and centers, and the feasibility of outsourcing finance and accounting functions.

Volume II contains the detailed supporting documentation on the Department's financial improvement initiatives described in Volume I. Details on corrective actions, milestones, resources, supporting systems architectures, benefits, and responsible organizations are described for each improvement initiative.

Concept of Operations (Concept)	The Concept is the conceptual framework the Department needs to establish sound financial. The framework is expressed in terms of the various interrelated functional and infrastructure aspects of accounting and finance operations. The functional section describes the processes and actions that must be performed for financial management. The infrastructure section describes the resources that support financial functions.
Joint Financial Management Improvement Program	The Department is responsible for complying with applicable laws enacted by the Congress and implementing the rules, regulations, and guidelines established by the Federal Government's financial leadership, collectively referred to as the "principals." The principals (i.e. the Department of Treasury, the Office of Management and Budget (OMB) and the General Accounting Office (GAO)) shape and define the requirements for financial compliance. One of the principals' key programs is the Joint Financial Management Improvement Program (JFMIP). The JFMIP documents establish operating requirements and outlines the functions and financial processes needed to execute government programs.
The Department's Basic Financial Requirements	<p>There are three basic financial management categories that comprise the Department's financial management operations:</p> <ul style="list-style-type: none"> • Program management requirements • core financial management requirements • financial event processing <p>The JFMIP establishes the first two elements, and the Department is responsible for the third.</p>
Program Management Requirements	<p>The first category, program management requirements, has five major program management functions that provide critical program data to the Department's financial management systems:</p> <ul style="list-style-type: none"> • acquisition • personnel • cost management • property management • inventory management <p>The Military Departments and the Defense Agencies perform these functions anytime they acquire, transport, manage, use, or dispose of any resources.</p>

Core Financial Management Requirements	<p>The second category, core financial management requirements, has two major core financial management functions, transaction processing and accounting and reporting. The transaction processing function includes:</p> <ul style="list-style-type: none"> • receivables and collections • payables • payroll • property accounting • inventory accounting <p>These functions record the results of payments to DoD personnel, retirees and annuitants and contractors, and record and track funds received by the Department.</p> <p>The accounting and reporting function shows the financial impact of all the Department's financial events through the general ledger, funds control, cost accounting, and cash management.</p>
Financial Event Processing Requirement	<p>The third basic category, financial event processing, has two functions. The first function, called event translation, translates program data into required financial information. The second function, called event recognition, creates accounting transactions by capturing financial event information after it has been recognized from a program feeder system.</p>
Feeder Systems	<p>Approximately 80 percent of the Department's financial data is derived from program feeder systems. They are called feeder systems because they provide data to the financial systems. Program feeder systems are automated or manual systems operated by the Military Departments and the Defense Agencies. These systems contain the day-to-day operating information that needs to be translated into financial information and processed in finance and accounting systems to be useful for financial managers. The Department created financial event processing to describe how day-to-day program actions, called program events, are translated into auditable financial transactions. The data provided by program systems must be reconciled with financial information in accounting records. Therefore, an audit trail must be maintained to explain any variations and to identify the event causing the variation.</p>
Policy and Oversight	<p>The financial management community's senior leadership is responsible for developing financial management policy, overseeing its implementation, encouraging and monitoring compliance by those outside the financial community, and ensuring compliance by members inside the financial community. In addition, the financial management community is responsible for implementing process and system improvements and reporting on progress.</p>

Operating and Technical Infrastructures The operating infrastructure consists of organizations, personnel, and internal control mechanisms required to manage and account for the Department's resources. Specifically, the operating infrastructure includes operating location consolidations, achievement of required competencies for financial management personnel, accurate reporting of information on financial statements, and the reliability of this information.

The technical infrastructure is an enabler that will assist the Department in achieving the desired improvements in financial management. It includes:

- system architecture, which addresses the utilization of a shared data environment through the use of a corporate database and a corporate data warehouse
- system applications, which focus on the core financial management requirements
- system interfaces, which refers to the interfaces between core systems and program feeder systems and the method used to transfer information between systems
- data in a common format includes common data structure, standard fiscal code, and standard business rules
- internal controls concerned with environment controls, risk assessment, information and communication, and monitoring

Evolving Concept The Department will update the Concept as goals are accomplished, objectives are met, and new requirements and technical solutions emerge.

Current Environment and Achievements The Department has made significant progress to date in achieving goals for consolidating finance and accounting operations, reducing the number and improving the capabilities of finance and accounting systems, reengineering business practices, strengthening internal controls, and maintaining a DoD-wide framework to provide for sound financial management.

Operational Consolidation and System Reductions The Department established the Defense Finance and Accounting Service (DFAS) in January 1991 and began consolidating the finance and accounting functions of the Army, the Navy, the Air Force, and other related organizations into this single agency. Consolidation efforts are expected to be complete by the end of FY 1998 with savings that total \$120 million annually.

Finance and accounting systems were reduced by 64 percent from FY 1991 through September 1998 with a goal of reducing the number of systems by 90 percent by FY 2003. To improve finance and accounting systems, a Year 2000 (Y2K) project was established in FY 1991 for monitoring and tracking all Y2K non-compliant financial management systems and planning for

changes. Full Y2K compliance for the Department's financial management systems is expected to be accomplished by the end of FY 1999.

Process
Reforms

The Military Departments and the Defense Agencies initiated multiple reform processes to achieve simpler, more efficient business practices that are less prone to error by reengineering business practices. The Department also acted to strengthen internal controls to enforce compliance with existing procedures at financial data processing installations and reduce the vulnerability of computer networks to intrusion. The Department instituted a framework for management oversight to ensure senior leaders are involved in all aspects of the financial improvement process.

Organization
and
Management

The organization and management of the Department's financial management operations includes the Office of the Secretary of Defense (OSD), the Under Secretary of Defense (Comptroller) (OUSDC), and the Military Departments and the Defense Agencies. The OUSDC has a direct line of authority over the DFAS but no direct line of authority over the financial management staff within the Military Departments and the Defense Agencies. Each Military Department directs and manages financial management activities consistent with policies prescribed by the OUSDC and the respective Military Department's implementing directives.

To ensure the Department's senior leaders are involved in the financial improvement process, a Financial Management Steering Committee and a Working Capital Funds Policy Board were formed. Their purpose is to actively engage in approving and monitoring the Department's financial management reform efforts.

Finance and
Accounting
Structure

The Department's operational structure consists of finance and accounting operations handled by the Military Departments, the Defense Agencies and the DFAS. Source level financial management data originates in the Military Departments and the Defense Agencies, with the DFAS acting as the primary financial accounting organization. Financial management data from the Military Departments and the Defense Agencies is fed to the DFAS and processed in the Department's finance and accounting systems.

The final area of the Department's finance and accounting structure is the technical support structure. The technical support structure, for required finance and accounting, is maintained at the Department's five DFAS centers where multiple systems are used to perform finance and accounting functions. The Military Departments and Defense Agencies maintain their own feeder systems or program systems to support their respective missions. These program feeder systems send financial data to the DFAS systems through electronic or manual interfacing.

Internal Issues	<p>The Department has achieved significant progress toward improving its financial operations. However, the Department realizes that more steps are necessary.</p> <p>Prior to January 1991, financial management within the Department was conducted independently within each Military Department and the Defense Agency. As a result, each developed its own processes and business practices tailored to its particular missions, and there was little incentive to achieve compatibility with other DoD activities. As missions became more complicated and organizations were required to interact more often, the incompatibility of systems and lack of standardization often resulted in incomplete and inaccurate financial management data. During this same time period, the Department also downsized to create a more efficient and effective force. The downsizing lead to limited investments in up-to-date systems, especially in support systems like inventory and financial systems. Although the Department made progress over the last decade, much work remains to be done to attain streamlined processes supported by efficient and flexible system architectures.</p>
External Issues	<p>The Department is concerned over certain external issues affecting finance and accounting and its ability to achieve auditable financial statements. The clarification of accounting standards and an agreement on the proper classification of funds will help assist the Department in its goal of attaining an unqualified audit opinion.</p>

Transition Plan	<p>The Transition Plan identifies and documents the improvements required to bridge the gap between the current and future environments and incorporates plans and initiatives. It includes goals and strategies, corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move the Department through the transition.</p>
Focus is on Feeder Systems	<p>The Department's approach for improving financial operations is to focus primarily on correcting system issues. Consolidation efforts are generally complete for finance systems and the accounting systems consolidations are well underway. The largest issues for the Department are the accuracy and completeness of data from the program feeder systems and the compliance of accounting systems.</p> <p>Infrastructure and system changes are required to improve operations and comply with current regulations. Improvements are needed because of unreliable program data from feeder systems and finance and accounting systems that do not meet regulatory requirements, and inconsistent, incomplete, or repetitive processes and systems.</p>

**Goals,
Strategies and
Initiatives**

The Department has made significant progress to date in achieving goals for consolidating finance and accounting operations, reducing the number of finance and accounting systems and improving their capabilities, reengineering DoD business practices, strengthening internal controls, and maintaining a DoD-wide framework to provide for sound financial management. The Department updated and modified its goals and strategies to transition to the future environment. These goals have multiple supporting strategies which, when fully implemented, will transition the Department from the current environment to the future concept of operations.

Summaries of the improvement efforts for each financial function are contained in the Transition Plan. These summaries describe the function and identify the applicable strategies and initiatives for improving the function. The summaries also highlight the current status and provide illustrations of the system architecture supporting the function.

Details on corrective actions, milestones, supporting systems architectures, benefits, and responsible organizations on each improvement initiative discussed in the Transition Plan are described in Volume II of the Biennial Plan.

**Special
Interest
Items**

In addition to developing a strategic plan for improving the Department's financial management operations, the Act also directed that the Biennial Plan address specific items of interest. The final section of Volume I provides the Department's response.

**Finance and
Accounting
Systems
Consolidation**

The first two special interest items relate to the consolidation or elimination of finance and accounting systems. The number of systems is being reduced substantially to decrease cost and achieve standardization. The Department's strategy aims to eliminate unneeded systems by consolidating finance and accounting functions to a select set of migration systems. Selected migration systems may be used until transition is made from the current systems to standard, integrated systems. This process will improve both the quality and consistency of the Department's financial information. The Department intends to reduce the number of DoD finance systems from 103 in FY 1993 to nine by FY 2003; during FY 1998 there were 18 such systems. By FY 2003, the Department intends to reduce the number of accounting systems from 176 in FY 1993 to 23; during FY 1998 there were 91 accounting systems.

Data Accuracy and Internal Controls The next two special interest items concern the accuracy of data in finance and accounting systems and feeder systems and internal control weaknesses related to these systems. The lack of standardization of data elements is the most identifiable data problem in the Department's accounting and finance system. To help resolve this issue, a data administration program is in place and the department-wide dictionary is being populated with standard financial management data elements. Several important initiatives are under way to migrate to standard data. These include initiatives such as the Budget and Accounting Classification Code initiative that will provide an accounting classification structure with standard code; the Global Edit Tables initiative that will provide a single reference capability for accumulating and disseminating standard fiscal code and standard transaction data; and the Department's Corporate Database initiative which will be the repository for on-line transaction processing.

Inadequate internal controls and undocumented audit trails have also contributed to unreliable financial data and exacerbated significant procedural and systemic deficiencies. To assist in correcting these deficiencies, the Working Capital Fund Policy Board was established to oversee actions and milestones for improvement of the working capital funds. In addition, the DoD Financial Management Steering Committee, with a focus on the general funds, was also established to oversee the development of functional requirements, to facilitate implementing policy recommendations, and to address financial management systems and practices.

Problem Disbursements Disbursement problems occur when an expenditure has not been reconciled with official accounting records. Specific initiatives under way as part of the short-term strategy for eliminating problem disbursements include the Defense Cash Accountability System (DCAS) and prevalidation initiatives. The DCAS consolidates multiple systems into a single cash accountability system that will be used to report disbursements to the U.S. Treasury. The Prevalidation initiative proposes to match obligations to disbursements before payment is made.

Feeder Systems Integration, Consolidation and Elimination The next two special interest items relate to the integration, consolidation, and elimination of feeder systems. Before the Department can produce financial statements that are auditable to the source, the Department needs to modify feeder systems to record, maintain, and manage financial related data in accordance with federal financial management requirements. Efforts to integrate feeder systems with finance and accounting systems include the publication of A Guide to Federal Requirements for Financial Management Systems (the Bluebook) and a DoD-wide effort initiated to identify, inventory, and annually report to the OMB the critical financial management systems. In addition, a massive systems consolidation effort is also under way along with a system architecture design so that all data is centralized in the Department's corporate database.

The Department is taking the necessary steps to eliminate unneeded data systems that provide little or no benefit to the financial management community. Through joint endeavors with the Military Departments and the Defense Agencies, feeder systems are being identified, consolidated, and phased out when possible.

Financial
Management
Competency

Another special item of interest concerns financial management competency. Financial management competency means that a qualified person by reason of education, technical competence, and experience has the core competencies to perform financial management. The Department has taken several steps to ensure competent personnel are employed in key financial management positions throughout the Military Departments and the Defense Agencies. The Financial Management Community Executive Committee was established to ensure the continued viability of civilian and military financial management careers by addressing such items as education, training and career development. The Committee created the Civilian Professional Development and Training Work Group (CPDTWG) to identify and develop generic core competencies for the Department's entire financial management work force.

Additionally, each of the Military Departments have established financial management curriculums at their higher education facilities (e.g. the Naval Post Graduate school in Monterey, CA and the Professional Comptrollers school in Montgomery, AL) train future managers and executives about financial management in the Department of Defense. The DFAS has also taken a highly pro-active role in the educational process by developing the Financial Management Career Development Plan. This plan is designed to provide a roadmap for growth and learning for financial management personnel and will help develop a highly skilled and professional financial and accounting workforce.

DFAS
Organization
and
Performance

The next two special interest items requested information about the organization and performance of the DFAS operating locations (OPLOC) and centers. The non-standard and inefficient business processes capitalized and consolidated at the centers and OPLOCs are the most significant problem. These processes were the result of the Military Departments and the Defense Agencies having developed their own independent financial systems and business practices in past years. It became apparent that business processes for the same functions varied greatly among the DFAS sites with some critical business processes often requiring large amounts of manual labor. A business process improvement study was conducted at the Norfolk OPLOC. As a result of this study, the DFAS is implementing new business processes similar to the private sector best practices and organizational changes have occurred.

The Department is continually evaluating commercial and other federal organizations' best practices with the goal of incorporating the appropriate new ideas, techniques, and processes.

Performance of the DFAS OPLOCs and centers is also of special interest. There is concern over the costs and benefits of reorganizing the OPLOCs and centers and the feasibility of carrying out such a reorganization. The DFAS has already completed a great deal of functional alignment, especially in the finance functional areas and achieved great success in reducing costs and improving service. Some functional alignment also took place in the accounting area through Security Assistance accounting. The most problematic function remaining is the installation and base-level vendor pay function. The electronic document management technology that supports and speeds the vendor pay processing is being installed at a number of sites. If this technology proves effective, the DFAS may realign this function to fewer sites. The DFAS's experience shows that although functional alignment of workload makes good sense in some areas, the DFAS cannot assume it is the best way to do business for every functional area.

**Contracting
and
Outsourcing**

Finally, the last special item of interest relates to contracting and outsourcing. The costs and benefits of contracting for private sector performance of specific functions and the feasibility of contracting for such performance are concerns. A goal of the Department is to reduce operating costs and reallocate resources to modernize and enhance readiness. One tool to achieve this end is the use of the private sector to enhance operational efficiencies and reduce costs. The DFAS has entered into a partnership with the private sector to enhance efficiencies in finance and accounting as well as support functions. This partnership has helped to reduce full time equivalents and costs and encourages the Department to apply new technologies to improve efficiencies without eliminating the government's capability to perform its financial functions without establishing an untenable reliance on private sector vendors. The DFAS is also working closely with private-sector vendors, who provide leading-edge technology and business practices, to reengineer selected functions that will enhance efficiencies and reduce costs.

The Initiatives

Volume II contains the supporting details on over 150 initiatives that support the goals and strategies discussed in the Transition Plan. The volume is divided into three sections. The first section describes the initiatives the Department is taking to improve the Military Departments and the Defense Agencies' feeder systems that provide the majority of the data required for auditable financial statements. The second section describes the initiatives improving the Department's accounting and finance systems. The last section

of Volume II describes the initiatives the Department is taking to improve the Department's overall financial management support infrastructure. Each initiative begins with a description of the initiative and the area or areas of nonconformance the initiative is correcting or improving. The description is then followed by detailed information about the initiative. Details include objectives, benefits, impact on current operations, responsible organization and program manager, related functions, supporting system architecture, and milestones.

Conclusion

With the Biennial Plan, the Department identifies for the first time the breadth and scope of the financial improvement initiatives the Department is taking to achieve legislative financial compliance, not only by the finance and accounting organization, but also by the Military Departments and other Defense Agencies. With this plan, the Department established its baseline on how it wants to manage its future financial management operations, where it is now, and what actions it needs to take achieve it.

SECTION I

INTRODUCTION

INTRODUCTION

Document Scope and Objective

The Department of Defense (the Department) developed the Biennial Financial Management Improvement Plan (Biennial Plan) to fulfill the requirements identified in the National Defense Authorization Act of 1998 (the Act). This legislation directed the Department to submit to Congress, by September 30 of each even numbered year, a strategic plan for financial management improvement. The legislation further directed the Department to respond to specific questions on financial management. This document also addresses additional regulatory requirements mandating the improvement of accounting and finance systems and processes and directing systemic reviews of specific issues.

The Biennial Plan includes input from and coordination with the following communities within the Department:

- Office of the Under Secretary of Defense (Comptroller) (OUSD(C))
- Military Departments (the Army, the Air Force, the Navy, and the Marine Corps)
- Defense Finance and Accounting Service (DFAS)
- Defense Agencies (i.e., Defense Logistics Agency (DLA) and the Defense Information System Agency (DISA))
- Office of the Under Secretary of Defense (Acquisition and Technology) (OUSD(A&T)) and Under Secretary of Defense (Personnel & Readiness) (OUSD(P&R))

A major objective of the Department and this document is to use the Biennial Plan to create a single integrated plan that not only satisfies the Act's requirements, but also these existing formal regulatory reporting requirements:

- Chief Financial Officers (CFO) Financial Management Five Year Plan - CFO Act of 1990, submitted annually on September 30
- Remediation Plan - Federal Financial Management Improvement Act of 1996, submitted annually September 30 and
- Statement of Assurance, Section IV - Federal Managers' Financial Integrity Act of 1982, submitted annually December 31

The Department previously developed separate plans to satisfy each of these regulatory requirements. These plans, however, contained overlapping information and were a duplication of effort. The Biennial Plan provides the necessary range and levels of information needed to satisfy all these plans.

**Biennial Plan
Organization**

The Biennial Plan is divided into two volumes. Volume I includes high-level information about the Department's financial operations. This volume provides the overall picture of where the Department is currently in its financial operations, where it would like to be, and a broad plan on how the Department intends to achieve it.

Volume II provides the detailed information, such as corrective actions and milestones, about the Department's financial initiatives discussed throughout the Biennial Plan.

**Volume I
Organization and
Content**

The information in Volume I is presented in five sections with four appendices:

- Section I - Introduction
- Section II - Concept of Operations
- Section III - Current Environment
- Section IV - Transition Plan
- Section V - Special Interest Items
- Appendix A - Regulatory Requirements Matrices
- Appendix B - Report on Accounting System Conformance
- Appendix C - Functions and Initiatives Quick Reference List
- Appendix D - Acronyms

**Section I
Introduction**

The Introduction explains the Biennial Plan's scope and objective, how the Biennial Plan is organized, and describes Volume I content and organization.

**Section II
Concept of
Operations**

The Concept of Operations (the Concept) identifies the end state after implementation of this plan. The concepts for the future environment are generally high level and will generally remain constant in out years, unless groundbreaking technology significantly changes the computer industry.

The purpose of this Concept is to describe the Department's target accounting and finance environment requirements, functions, roles and responsibilities, and infrastructure. The Department developed this Concept to provide an understanding of how it will structure financial operations in the future after current issues are resolved. The Department intends to use the Concept to guide the evolution of its accounting and finance policies, functions, systems, and operational procedures.

Section III Current Environment	To move forward and make improvements, the Department must have a clear understanding of its current strengths, weaknesses, and areas for improvement. Section III, the Current Environment, reports on the progress to date in meeting the Department's Chief Finance Officer's (CFO) finance and accounting goals, notes the present status, and identifies areas that require improvement. The Department's current roles and responsibilities and structure regarding financial and accounting are outlined to provide a better understanding of the key organizations and processes that currently exist. Section III ends with an assessment of the Department's current financial environment and identifies how the Department intends to move to the future environment described in the Concept.
Section IV Transition Plan	The Department has made significant improvements toward creating an effective financial management environment, as highlighted in Section III, the Current Environment, but it must complete many additional steps to transition to the future environment delineated in the Concept. Section IV, Transition Plan, bridges the gap between the current and future environments and includes goals and strategies that will lead the Department through the necessary changes.
Section V Special Interest Items	The Congress asked the Department to respond to several items of interest regarding its financial management. Section V, Special Interest Items, addresses these items.
Appendix A	The matrices in Appendix A map previous plans and current regulatory reporting requirements incorporated in the Biennial Plan.
Appendix B	Appendix B provides the Department's overall evaluation of its financial management systems required by Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982.
Appendix C	Appendix C is a quick reference lists that list each financial management function and identifies the initiatives the Department is taking to correct deficiencies and/or improve the function.
Appendix D	Appendix D defines the acronyms used in the Biennial Plan.

SECTION II

CONCEPT OF OPERATIONS

INTRODUCTION TO THE CONCEPT OF OPERATIONS

Legislative Background

The Chief Financial Officers (CFO) Act of 1990 requires federal agencies to improve their financial management and reporting operations by developing an integrated agency accounting and financial system, including financial reporting and internal controls. Such systems have to comply with applicable principles and standards and be able to provide complete, reliable, consistent, and timely information needed to manage an agency's operations.

The Federal Manager's Financial Integrity Act of 1982 and the Federal Financial Management Improvement Act of 1996 require federal agencies to implement and maintain financial management systems that will allow them to prepare financial statements that substantially comply with applicable federal accounting standards. In addition, the National Defense Authorization Act of 1998 requires the Secretary of Defense to submit a strategic plan for improving the Department's financial management. The plan addresses almost all aspects of accounting and finance operations including, for the first time, the feeder systems that provide the majority of the data used by the Department's finance and accounting systems.

Purpose and Scope

The purpose of this Concept of Operations (Concept) is to describe how the Department will structure and manage financial operations in the future to be in compliance with the regulatory requirements discussed above. This Concept describes the Department's accounting and finance requirements and functions and their interrelationships and focuses on the following organizational communities:

- Office of the Under Secretary of Defense, Comptroller (OUSD(C))
- Defense Finance and Accounting Service (DFAS)
- Military Departments and the Defense Agencies: the Army, the Navy, the Air Force and Defense Agencies such as the Defense Logistics Agency (DLA) and the Defense Information Systems Agency (DISA)
- Office of the Under Secretary of Defense Acquisition & Technology (OUSD(A&T)) and Office of the Under Secretary of Defense (Personnel & Readiness) (OUSD(P&R))

The Department will use this Concept to guide the evolution of its financial management policies, systems, functions, and improvement initiatives by specifying the target environment needed to meet regulatory requirements and produce auditable financial statements. Because of the broad scope of the Department's financial operational responsibilities, this Concept will concentrate on the conceptual framework the Department needs to establish to achieve sound financial practice. The appropriate operational and financial management communities may augment this Concept with the specific

operational details, policies, and procedures needed to meet their specific areas of responsibility under this Concept.

Conceptual Framework

This Concept is broadly described by its interrelated functional and infrastructure concepts:

- The functional concept describes the processes or actions that must be performed for financial management
- The infrastructure concept describes the resources that support the functions of financial operations

Figure II.1 illustrates the relationship of the functional and the supporting infrastructure concepts.

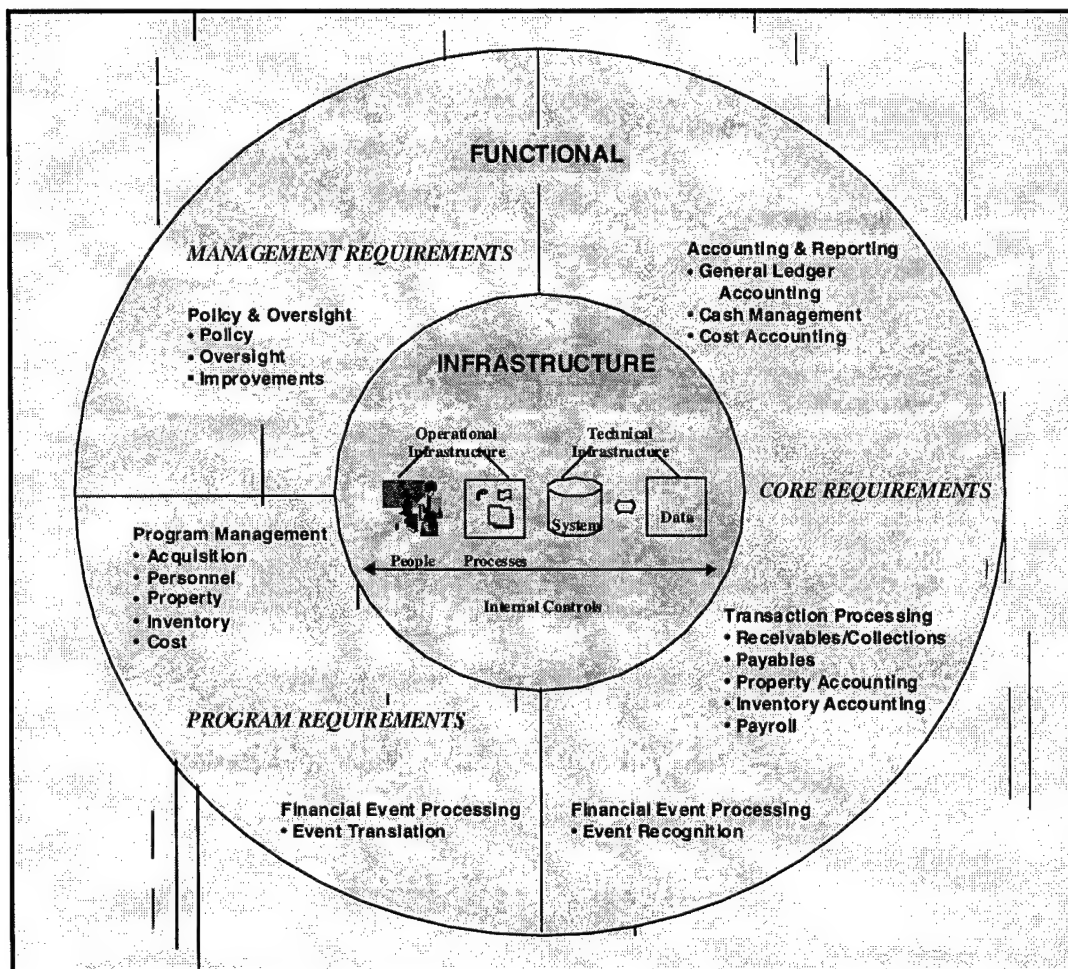


Figure II.1 Functional and Infrastructure Relationship

The management of financial data originates long before an accountant or financial analyst interacts with the data. Financial data begins during a program event resulting from acquiring, managing, allocating, transporting, using, or disposing of any departmental resources by operational commanders and program managers.

A broad definition of financial management includes any action that involves budgeting, tracking, management, oversight, reporting or exchanging of either actual financial data or property, inventory or other resource information that ultimately translates to, or impacts, financial information.

This definition encompasses virtually all of the Department's communities and organizational levels. The communities include accountants and financial analysts, cost and economic analysts, as well as operational commanders and program managers responsible for managing the resources required for the Department's day-to-day operations.

The Concept is an evolving document that looks to the future. As goals are accomplished, objectives met and new requirements emerge, the Department will update the Biennial Financial Management Improvement Plan (Biennial Plan). Although the OUSD(C) ultimately is responsible for revising the Concept for reporting purposes, the entire DoD community is responsible for providing information, where necessary, and striving to achieve this Concept.

**Mission
Statement**

The mission of the Department of Defense financial management community is to provide management and financial services support of defense and national security goals; ensure good stewardship and accountability for public resources; and provide the systems and services that produce accurate, timely, and relevant financial information.

**Vision
Statement**

Respected Department of Defense financial management professionals shaping processes, systems, and technology to provide the most relevant, accurate, reliable, and timely resource management support and financial services for executing the Department's mission. The Department will be nationally recognized for effective and efficient financial management, and will use best practices of the private and public sectors.

FUNCTIONAL CONCEPT

Functional Leaders

The Department is responsible for complying with applicable laws enacted by the Congress and implementing the rules, regulations, and guidelines established by the Federal Government's financial leadership, collectively referred to as the "principals." The principals (i.e. the Department of Treasury, the Office of Management and Budget (OMB), and the General Accounting Office (GAO)) shape and define the requirements for financial compliance.

The principals established the Federal Accounting Standards Advisory Board (FASAB) in 1990 to consider and recommend accounting standards and principles. These principles and standards form the basis for accounting for federal reporting entities and constitute the Federal Generally Accepted Accounting Principles (FEDGAAP).

In addition to the FASAB, the Joint Financial Management Improvement Program (JFMIP) was established to improve financial management practices throughout the Federal Government.

Joint Financial Management Improvement Program (JFMIP)

The JFMIP began the process of defining financial management system requirements by publishing such documents as the Core Financial Systems Requirements and Framework for Federal Financial Management Systems. The requirements and functions outlined in these documents explain the financial processes used in executing government programs and define two categories of requirements needed:

- program delivery/financing requirements
- financial event processing requirements

Program Delivery/Financing Requirements

The first category is the program delivery/financing requirements. These requirements comprise three sets of functions: federal assistance, financing, and government operations. The Department does not generally perform the first two functions, however, it does perform all of the government operations functions.

The JFMIP describes government operations as:

"Functions necessary to run the basic operational activities of the government and to provide services such as law enforcement and national defense, which are non-monetary in nature. Agencies carry out government operations through the use of personnel and/or government supplies, equipment, facilities and contracts with outside parties."

The JFMIP specifies the following functions as necessary for carrying out basic government operational activities:

- personnel
- acquisition
- property management
- inventory management

The Department carries out basic government operational activities through acquiring, managing, allocating, transporting, using, and disposing of DoD resources.

**Financial Event
Processing
Requirements**

The second JPMIP category is the financial event processing requirements. The functions associated with these requirements are budget formulation, financial accountability, and transaction tracking. The Department performs all three of these functions. However, the budget formulation function is performed as a part of the Planning, Programming and Budgeting System (PPBS) process and is not considered in this Concept.

The JFMIP specifies the following functions as necessary for carrying out financial accountability activities:

- budget execution
- financial accounting
- cash management
- cost accounting

The JFMIP specifies the following functions as necessary for carrying out transaction tracking activities:

- receivables/collections
- payables/disbursements
- payroll
- travel
- property accounting
- inventory accounting

**DoD Financial
Management
Requirements**

The requirements defined by the JFMIP are the basis of the framework for the Department's two financial management requirement categories.

- program financial management requirements
- core financial management requirements

Table II.1 depicts the functions associated with program and core financial management requirements.

PROGRAM FINANCIAL MANAGEMENT REQUIREMENTS		CORE FINANCIAL MANAGEMENT REQUIREMENTS		
PROGRAM MANAGEMENT FUNCTIONS	FINANCIAL EVENT PROCESSING FUNCTION	FINANCIAL EVENT PROCESSING FUNCTION	TRANSACTION PROCESSING FUNCTIONS	ACCOUNTING AND REPORTING FUNCTIONS
Acquisition	Event Translation	Event Recognition	Receivables/ Collections- Debt Management	General Ledger
Personnel			Payables- Vendor, Contract, Disbursements	Funds Control
Cost Management			Payroll- Civilian, Military	Cost Accounting
Property Management			Property Accounting	Cash Management
Inventory Management			Inventory Accounting	

Table II.1 Program and Core Financial Management Requirements

The table outlines the DoD program financial management requirements and the DoD core financial management requirements that will be discussed throughout this Concept. The program management functions are similar to the JFMIP government operations functions. The transaction processing functions are similar to the JFMIP transaction tracking functions and the accounting and reporting functions are similar to the JFMIP financial accountability activities.

The Department created the financial event processing function for this Concept to describe the important process of translating program events into auditable financial transactions. Program event information must be recognized within the Department as important financial information. Since approximately 80 percent of the Department's financial data is derived from program feeder systems, the responsibility for the financial event functions is critical to the Department's Concept and to the success of the future financial improvement efforts, especially in program feeder systems.

Financial Management Functions

Figure II.2 on the next page describes the functions performed by organizations within the financial management community. Outside the circle at the top, the Congress, the OMB, the Treasury, the FASAB, and the JFMIP are represented as providers and interpreters of regulatory requirements for financial management. Inside the circle, program management functions, financial event processing functions, transaction

processing functions, and core accounting and reporting functions are described according to a data flow of financial management information.

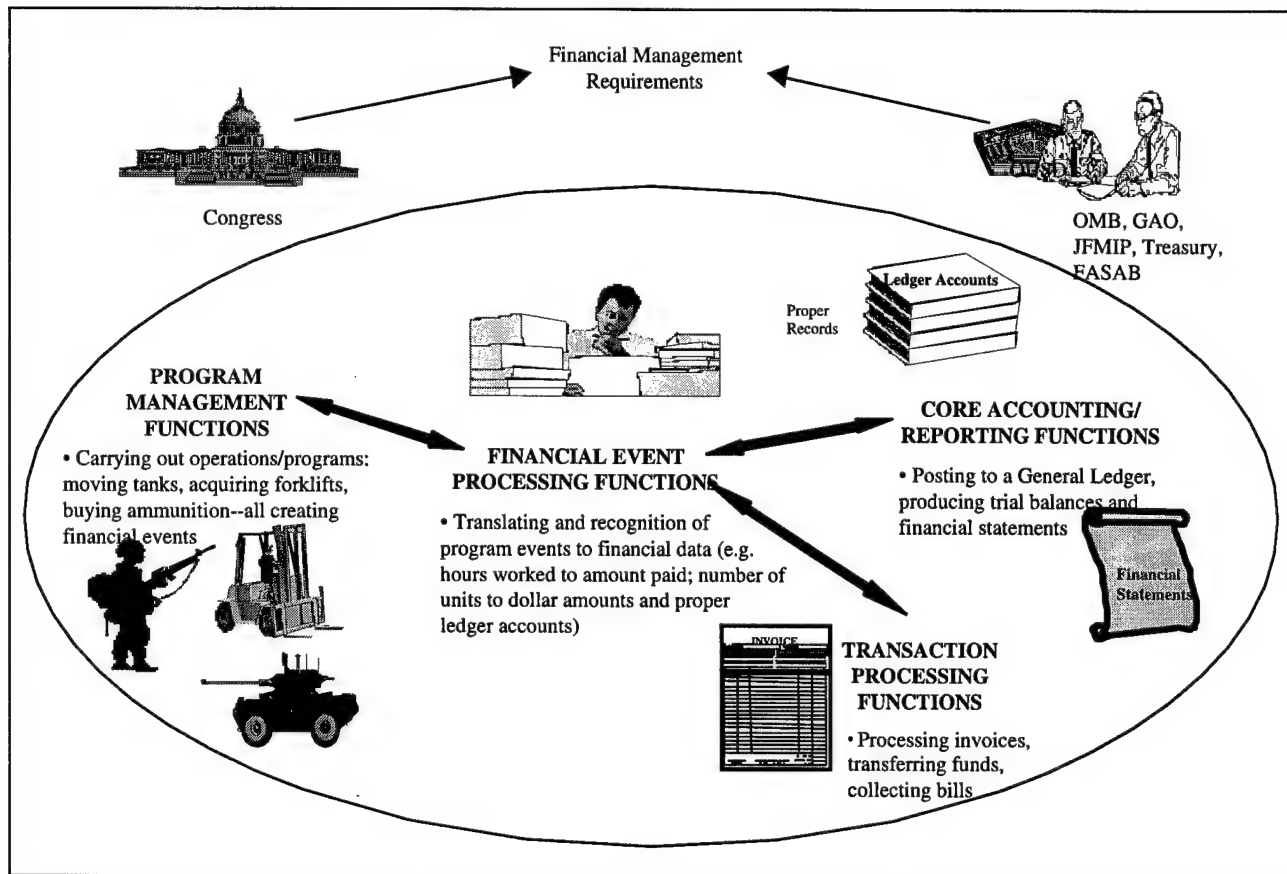


Figure II.2 Financial Management Functions

As seen in the above figure, program and core financial management requirements represent an integrated approach to financial management that relies on operational commanders and program managers to translate program events that result from acquiring, managing, allocating, transporting, using, or disposing of DoD resources into an auditable accounting transaction. It must be possible to reconcile events in program systems that create or support financial information in accounting records, as adequate audit trails need to be maintained to support any reconciliation.

For example, a logistics program may record and track the date and amount of material furnished by the government to a contractor. The contractor could replace parts on an aircraft, return the material to the government in its original state, or dispose of the material. What happens to the material given to the contractor and how the material is used constitutes information that must be recorded in the Department's financial records and summarized in the general ledger.

Figure II.2 also illustrates the interrelationship between program and core financial management requirements and depicts why the Department's financial management framework must contain both the core functions and the specific program function in which the event first occurs.

**Program
Finance
Management
Requirements**

There are two program financial functions that are required for effective financial management:

- program management function
- financial event processing function

The Military Departments and the Defense Agencies perform program management functions anytime they acquire, allocate, transport, manage, use, or dispose of any DoD resource. Program management functions create financial events that must be recorded in financial records.

Many Military Departments and Defense Agencies' program systems provide data to the Department's core accounting and finance systems. These systems are designated as program feeder systems and are integral parts of the financial management environment.

**Five Program
Management
Functions**

There are five major program management functions that provide critical program data to the Department's core accounting and finance systems.

1. Acquisition. The acquisition function is performed to obtain the goods or services required to support DoD programs. Acquisition information is collected throughout all phases of contracting (i.e. selection, writing, administration, payment, reconciliation, and close-out). Acquisition events that occur must be translated into financial events necessary to perform the accounts payable functions. Accounts payable and disbursements cannot be accurately made without the necessary feeder system data from acquisition.
2. Personnel. The personnel function processes time and attendance information and collects and maintains payroll and benefit information about employees' benefits, retirement contributions, and pension plan information. The time and attendance systems also track the labor hours by project for working capital fund (WCF) organizations. Labor hours apply to direct, indirect or general and administrative cost codes used to develop rates for billing customers. Personnel events that occur must be translated into financial events necessary to perform the payroll function. Payroll and cost accounting cannot be accurately performed without the necessary feeder system data from personnel organizations.

3. Cost Management. This function manages cost based on relevant, internal cost measurements that provide information for operational managers and decision-makers to continuously improve operations and gain efficiencies. The cost management function creates information necessary to track the effects of financial events on the cost of performing a certain program or service and to report the full cost of programs and activities. Cost functions are required for operating within the WCF environment for unit cost and fee for service support. In these cases, cost is integrated with the accounting system to provide the required management information and unit cost reports. General Fund operations also utilize cost information for management purposes to determine how efficiently and effectively programs are being administered. This information must be translated into financial information necessary to perform multiple transaction processing functions. The managerial cost accounting functions should be fully integrated to eliminate unnecessary and/or duplication of transactions from the core financial system, acquisition, inventory system, labor distribution system, and property management system.
4. Property Management. The property management function relates to the status of real and personal property, equipment, and facilities (e.g. investment, land, ADP equipment, and government-furnished equipment and material). As property is managed (i.e., purchased, maintained, destroyed or transported), events occur that must be translated into financial events necessary to perform property accounting. Property accounting cannot be accurately performed without the necessary feeder system data from property management.
5. Inventory Management. The inventory management function tracks supplies and their location. As inventory is managed (i.e., received, warehoused, and distributed), events occur that must be translated into financial events necessary to perform inventory accounting. Inventory accounting cannot be accurately performed without the necessary feeder system data from inventory management.

Program
Management
Roles and
Responsibilities

Approximately 80 percent of the Department's financial data is derived from program management functions. Therefore, it is critical that the Military Departments, the Defense Agencies, the OUSD(A&T), and the OUSD(P&R) maintain an accurate inventory of all feeder systems required to provide program data to the Department's financial management systems.

The Military Departments, the Defense Agencies, the OUSD(A&T), and the OUSD(P&R) are responsible for the maintenance of all feeder systems including:

- working closely with the DFAS to identify all feeder systems and that they comply with financial systems criteria

- funding for any upgrades required for transmitting data in the required format
- reconciling information from program feeder systems with information in the general ledger

As the Department accounting and finance service organization, the DFAS is responsible for providing the Military Departments and the Defense Agencies with:

- a description of the program financial event information necessary to create a proper general ledger accounting transaction
- financial system compliance requirements for feeder systems
- corrections to out-of-balance situations from program feeder system reconciliation

**Program
Financial Event
Processing
Function**

Event translation is one of two financial event processing functions and is considered a program financial management requirement. The other function, event recognition, is a core financial management requirement.

Actions that affect resources (e.g., ordering goods or services, using labor or material resources for maintenance or transferring ownership/stewardship of property or inventory) characterize program financial events. Attributes of program financial events include item descriptions, locations, values, and other data elements. Financial event processing captures program financial event information in an appropriate format to create a general ledger accounting transaction. This translation function is required for all program feeder systems providing financial data to accounting and finance systems.

**Core
Accounting
and Finance
Financial
Management
Requirements**

Core accounting and finance requirements are the central processing functions that perform the basic accounting and financial functions. These requirements are synonymous with taking care of the dollars and are traditionally what a financial management support agency performs. There are three core financial functions that are required for effective financial management:

- financial event processing function
- transaction processing functions
- accounting and reporting functions

**Financial Event
Processing
Function**

Event recognition is the core financial event processing function that compliments the event translation function in program financial event processing.

Event recognition creates general ledger accounting transactions (i.e., debits and credits) by capturing program financial event information. Event recognition occurs after a financial event has been recognized from a program feeder system. The transactions are recorded under the appropriate standard general ledger account.

Although event translation is a program financial management requirement and event recognition is a core financial management requirement, both are considered financial event processing functions and both must occur because the Department must identify, track, and reconcile program information that is important for financial reporting.

Event translation occurs when information is reported from a program feeder system through standard event identification, which can only happen if the program information has been identified as required financial information that must be posted to a general ledger. This is represented by the first triangle in Figure II.3.

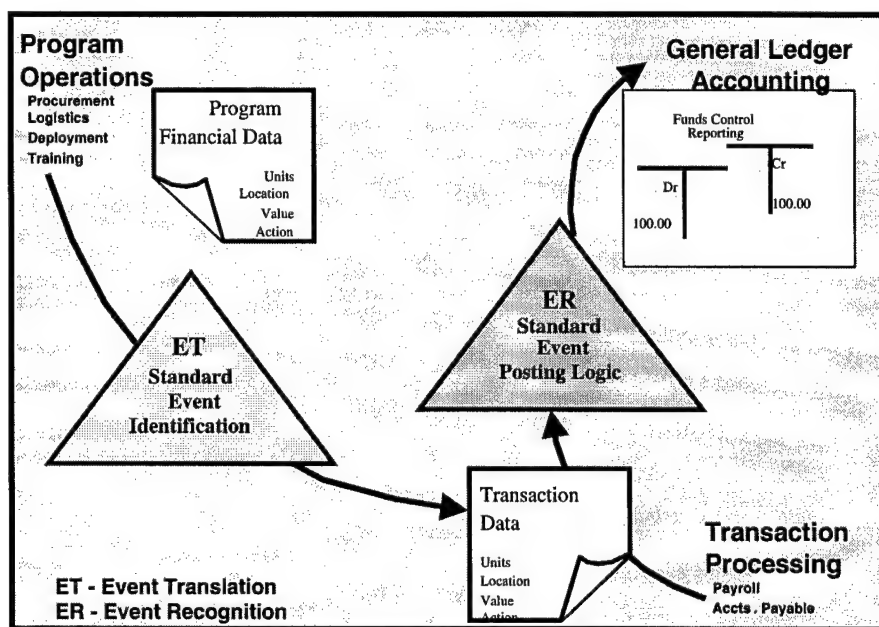


Figure II.3 Event Translation and Recognition

Event recognition occurs as a result of an event translation. Standard event posting logic is used to record the translated program financial event to the general ledger. At this point, the event is recognized in a standard general ledger account, represented in Figure II.3 by the second triangle.

Event recognition must be performed in a general ledger. Output from a program feeder system that creates a transaction for posting is used to enter transactions into a general ledger system. The core accounting and finance system accepts program data (i.e., descriptions, values, etc.), recognizes it as debits and credits, and posts the transactions to a general ledger.

If event recognition is performed in a program feeder system, the program feeder system passes a general ledger transaction in the form of debits and credits to a core system. Performing event recognition in a program system is the method used the least, because program feeder systems do not usually contain (nor are they required to contain) a general ledger.

Core Financial Event Processing Roles and Responsibilities Roles and responsibilities for financial event processing functions are assigned to organizations within the financial management community. The Military Departments and the Defense Agencies have certain roles and responsibilities and the DFAS has certain roles and responsibilities.

As providers of program financial data, the Military Departments and the Defense Agencies are responsible for:

- ensuring accuracy of the program event data and maintaining appropriate audit trails
- providing the required program financial event data in an appropriate format as required by the Department's core financial management functions and systems

Where event recognition is performed in a program feeder system (the system contains a general ledger), the system owner will ensure that:

- the function is performed in accordance with general ledger standards
- the general ledger accounting transactions (debits/credits) are passed correctly to core systems
- an audit trail is maintained

As the Department's finance and accounting service organization, the DFAS is responsible for providing the Military Departments and the Defense Agencies with:

- a description of the program event information necessary to create a proper general ledger accounting transaction
- the results of event recognition, except in cases when the program feeder system accomplishes the translation
- assurance that the newly created general ledger accounting transactions are posted correctly, maintaining an audit trail back to the program data that was converted
- all event recognition functions for the interaction of transaction processing functions and the accounting and reporting functions

Transaction Processing Functions

Transaction processing records the results of financial events and consists of financial functions that process payments to DoD personnel, retirees and annuitants, contractors, and record and track funds received by the Department. Transaction processing also keeps detailed records of the accounting for property and inventory. In many instances, transaction processing produces information that must be recorded in numerous reports and information that is transferred back to the personnel or acquisition systems that originated the information. Transaction processing is fully dependent upon the input of information from programs.

Five Transaction Processing Functions

There are five transaction processing functions:

1. Receivables and Collections. The receivables and collections function supports activities associated with billing, tracking, and collecting funds that are owed to the Department. Debt management for military, travel, or contractor pay is considered a receivable.
2. Payables/Disbursements. The payables/disbursements function includes all support activities associated with establishing an obligation of funds, accounts payable, and the disbursing of funds for goods or services rendered. This includes transactions for the payment of goods and services received, travel, and prepayments.
3. Payroll. The payroll function includes civilian, military, and retired and annuitant pay. Payroll functions perform the compensation and benefit activity for civilian and military employees. Time and attendance data resulting from personnel functions and systems that include information, such as address and tax changes, are supported by the Military Departments and the Defense Agencies throughout the Department.
4. Property Accounting. The property accounting function records and controls the financial and accounting components of capitalized property and controlled property. It maintains detailed accounting information concerning fixed assets and other property maintained on an individual basis throughout the life of the asset or property. This function accounts for many types of assets including land, buildings, personal property, contractor held property, and equipment. Property management is translated to property accounting information.
5. Inventory Accounting. The inventory accounting function records and controls the financial and accounting components of inventories related property. Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, (3) to be consumed in the production of goods for sale or in the provision of services for a fee or (4) in-transit. Program management must be able to record inventory at historical costs or latest acquisition costs as required by policies set for

managing inventory. Inventory examples include items such as operating materials and supplies, seized, and stockpiles.

Transaction Processing Roles and Responsibilities	<p>The Military Departments and the Defense Agencies, as well as the DFAS, have certain transaction processing roles and responsibilities.</p> <p>The Military Departments and the Defense Agencies:</p> <ul style="list-style-type: none"> • provide the required program financial event data in an appropriate format as required by the Department's core financial management functions and systems • perform the following activities at installation and defense agency level offices: (1) funds distribution and reconciliation; (2) travel obligations, orders; (3) review collection vouchers, processing receiving reports, and input to civilian and military pay and accounting transactions; and (4) provide general support to DFAS operating locations and centers <p>As the Department's finance and accounting organization, the DFAS</p> <ul style="list-style-type: none"> • performs transaction processing functions (jointly with the Military Departments and the Defense Agencies) and maintains an inventory of all systems • tests compliance requirements for core financial management systems • sets compliance requirements for systems • maintains finance and accounting activity models and operates the required operating and technical infrastructure
---	--

Accounting and Reporting Functions	The accounting and reporting functions account for DoD resources. They show the financial impact of all the Department's financial events. These functions involve, but are not limited to the Working Capital Funds, General Funds, Non-Appropriated Funds, and Security Assistance.
---	---

Four Accounting and Reporting Functions	<p>There are four accounting and reporting functions:</p> <ol style="list-style-type: none"> 1. <u>General Ledger Accounting</u>. The general ledger accounting function provides the ability to track the effects of events by summarizing information into the standard general ledger accounts from transaction driven events. It uses a standardized data format to read the data and post the results through the accounting systems. This function ensures that all events are recorded accurately and by consistent definitions. The results of all financial events must be reported in trial balances and financial statements.
---	---

2. Funds Control. The funds control function records the results of budget execution to maintain and account for appropriations. It can provide reports on the status of funds to the appropriate level, for example the Air Force command level. It also produces reports for budgetary reporting requirements.
3. Cash Management. The cash management function tracks the cash position and provides the necessary reports for managing cash.
4. Cost Accounting. The cost accounting function collects and records costs for management to develop customer billing rates, fees, and pricing structures. Cost accounting can provide managerial information for performance measurement to track, classify, and distribute type costs to cost centers or activity groups.

Accounting and Reporting Roles and Responsibilities

Roles and responsibilities for accounting and reporting functions are assigned to organizations within the financial management community. Both the OUSD(C) the DFAS have certain roles and responsibilities.

The OUSD(C) role and responsibilities require it to:

- establish and supervise the execution of uniform DoD policies, principles, and procedures
- interact with the GAO and the Congress on audits and reporting

The DFAS role and responsibilities require the DFAS to:

- ensure that accounting systems and equations account for the Department's resources
- establish and supervise procedures for accounting and disbursing systems, cash, and credit
- maintain accounting systems including funding for any upgrades required as a result of new or changing financial accounting, requirements, criteria, or standards

Policy and Oversight

This section describes the financial management policy and oversight roles and relationships of the organizations within the financial management community. The primary functions within the policy and oversight requirement include:

- financial management policy development
- oversight, compliance definition, improvements, and reporting

Policy Development	Financial management policy development includes the development of regulations and guidance to ensure the Department's accounting and finance processes, procedures, operations, and resources comply with Federal Generally Accepted Accounting Principles (FEDGAAP) and federal financial standards and systems requirements. Within each successively lower organizational unit, these policies may be augmented with guidance and procedures appropriate to operational requirements.
--------------------	--

Roles and Responsibilities for Policy Development	Roles and responsibilities for policy development are assigned to organizations within the financial management community. The OUSD(C), the OUSD(A&T) and the OUSD(P&R), the Military Departments, the Defense Agencies, and the DFAS each have certain roles and responsibilities.
---	---

The OUSD(C) is the Department's Chief Financial Officer (CFO) and the principal advisor and assistant to the Secretary and Deputy Secretary for budgetary and fiscal matters and is responsible for issuing regulation and promulgating other guidance relating to:

- financial management laws enacted by the Congress
- regulations and other Government-wide financial management principles established by the OMB, the GAO, the Treasury Department, and other entities concerned with financial management such as the Financial Accounting Standards Advisory Board (FASAB)

The OUSD(A&T) and the OUSD(P&R) role and responsibilities are to assess the impact of financial management laws, regulations, guidance, and policies on the applicable functional areas and provide guidance where cross-organizational implementation is appropriate

The Military Departments and the Defense Agencies augment, promulgate, and implement the details of financial management laws, regulations, guidance, and policies within their respective Military Departments and Defense Agencies

The DFAS roles and responsibilities are to:

- assist the OUSD(C) in interpreting existing requirements and developing and implementing new policy and guidance
 - augment and promulgate financial management policy, guidance, and operational procedures from the OUSD(C) for the DFAS and maintain the Department's Financial Management Regulation (FMR) DoD 7000.14R
-

**Oversight,
Compliance
Definition,
Improvements,
and Reporting**

The compliance definition, oversight, and reporting function applies to all financial management systems and tasks. It includes ensuring that the systems used to support financial management meet requirements for processing financial information. All accounting and finance systems must be compliant with governmental regulations as directed by such federal entities as the OMB, the GAO, the FASAB, and the JFMIP.

**Roles and
Responsibilities
for Oversight,
Compliance
Definition,
Improvements,
and Reporting**

Roles and responsibilities for oversight, compliance definition, improvements, and reporting are assigned to organizations within the financial management community. The OUSD(C), the OUSD(A&T) and the OUSD(P&R), the Military Departments, the Defense Agencies, and the DFAS each have roles and responsibilities that must be performed for successful financial management.

The OUSD(C) role and responsibilities are to:

- establish and supervise the execution of uniform DoD financial management policies, principles, and procedures
- advise and assist the Secretary and Deputy Secretary on administration and organization of the contract audit function within the Department
- provide for the design, development, and installation of accounting and finance improvement programs and systems throughout the Department
- guide the education, training, and career development of comptroller and financial management personnel
- convene and chair regular meeting of a DoD Financial Management Steering Committee to facilitate appropriate changes within the Department's financial management community
- develop, maintain, and report on the implementation of the Department's Biennial Plan

The OUSD(A&T) and the OUSD(P&R) roles and responsibilities are to:

- assess the impact of compliance requirements on the applicable functional areas and provide corrective action guidance where cross-organizational implementation is appropriate
- select, implement, and report on financial management improvement initiatives within financial management systems and functions that apply to the Under Secretaries' cross-organizational functional areas such as procurement, logistics, and medical

The Military Departments and the Defense Agencies roles and responsibilities are to:

- assess and report on the compliance of program feeder systems and functions
- assess, track, and report fraud within program feeder systems and functions and initiate appropriate legal actions when necessary
- select, implement, and report on accounting and finance improvement initiatives within the program feeder systems and functions
- review and report material weaknesses on internal controls within program feeder systems and respond to audit findings by identifying corrections to deficiencies

The DFAS role and responsibilities are to:

- provide specific guidance on accounting and finance system requirements
 - assess and report on the compliance of accounting and finance systems and functions
 - provides compliance definition, assessment, and corrective expertise to other DoD organizations
 - track and report on applicable accounting and finance related audit findings for the Department
 - assess, track, and report fraud within the core financial management systems and functions and initiates appropriate legal actions when necessary
 - maintain the Defense Financial and Accounting Activity Process Models
 - select, implement, and report on financial management improvement initiatives within the core accounting and finance systems and functions
 - review and report material weaknesses on internal controls within core financial management systems and core financial management functional areas and responds to audit findings by identifying corrections to deficiencies
-

INFRASTRUCTURE CONCEPT

Operating Infrastructure The Department's financial management operational infrastructure consists of the organizations, personnel, and internal control mechanisms required to manage and account for the Department's resources.

Operating Locations Two separate but integrated financial operational infrastructures meet the Department's need to manage and account for its resources.

The first infrastructure under the control of the Military Departments and the Defense Agencies is aligned with the financial program functions responsible for managing the Department's resources. It begins with the creation of a program event resulting from acquiring, managing, allocating, transporting, using, or disposing of resources by operational commanders and program managers at all organizational levels.

The program financial functions performed by the Military Departments and the Defense Agencies require proximity to the Department's various resources and operations. Therefore, the bulk of accounting and finance resources are expended at DoD installations. The translation of program event information, called event translation, occurs where the event occurs.

The second infrastructure is the Department's primary financial management organization, the DFAS. With the creation of the DFAS, the Department began initiatives to consolidate, standardize, and modernize its core financial management functions. These efforts have lead to significant savings and qualitative improvements for the core financial management functions. While the DFAS functions are not necessarily equivalent to the core financial management requirements, there is a strong correlation.

The core financial management requirements performed by the DFAS are transaction and data-driven and can be most efficiently performed at a minimal number of locations. As the number of accounting and finance systems is reduced, the number of separate operating locations necessary to operate the systems is also reduced. As accounting and finance systems become cross-Military Service oriented (e.g., the Air Force and the Army use the same system to process vendor payments) the number of locations supporting functions for a particular Military Department can be reduced. This Concept will not attempt to predict specific future operating locations or staffing levels. The key to determining the optimal number of locations and personnel is for the Department to constantly assess the potential for consolidations and realignment of personnel skills and numbers supporting its accounting and finance functions. Each change should be based on sound cost-benefit business analyses. Decisions related to consolidation should be based on business case assessments. In addition, business assessments may result in outsourcing services to other federal agencies or private industry if

there is a clear economic justification. The DFAS will continue to operate at multiple locations in a configuration that best supports mission cost, reliability, quality, and customer service.

Human Resources

The CFO Act requires that financial management personnel meet certain competencies. This is applicable to personnel at all levels, both military and civilian, and in any organizational component performing financial management functions.

The JFMIP has published guidance on competencies for accounting and finance. Competencies for financial management positions outline the knowledge, skills, and abilities that accountants, budget analysts, and financial managers are recommended to possess at different stages of their career. These competencies can be met through on-the-job training, formal training courses, and professional development activities.

The DFAS must have a program to define key competencies and requirements based on the JFMIP competencies for financial management. The Military Departments and the Defense Agencies' financial management offices will have a comparable program for their financial personnel, military and civilian, tailored to meet their financial management roles and responsibilities. The objective of the programs should be to address professional education, training, and career development as well as ensuring that generic key competencies are developed and maintained throughout the Department's financial community.

Internal Controls

Internal controls are vital to the accurate reporting of information on financial statements and the reliability of this information. Management controls must be integrated into the operating infrastructure to ensure:

- regulations are followed
- programs achieve intended results
- resources are properly utilized
- fraud, waste, and abuse are minimized
- program data is maintained and is accurately reported

The operating infrastructure of the Department's financial management community will plan, design, and implement internal controls by the following methods:

- controlled environment
- risk assessments
- control activities
- relevant and reliable information and communication
- monitoring

The operational infrastructure provides the control environment for internal controls. Regardless of how solid internal controls are in processing systems, an environment of internal controls must also surround the system.

A control environment for internal controls requires personnel to have the correct competencies for their positions as well as the freedom to perform the required tasks with the appropriate amount of oversight.

Management will use strategic planning, forecasting, qualitative, and quantitative methods to identify and assess the risk of the financial management functions. The Department's financial management community will monitor factors affecting internal controls such as new technology.

Control activities will be performed uniformly throughout the financial management community so that they provide the assurance that policies and procedures meet the agency's objectives. Performance measures will be used to link a program's objectives to actual results.

Additionally, information systems, especially those that send financial data to financial management systems, must perform checks and balances such as reconciliation checks to ensure information is correct and to prevent fraud.

**Technical
Infrastructure**

Technology is one of the major forces enabling the Department to achieve the desired cost and quality improvements in financial management. In addition to regulatory requirements for financial management, the Department has developed an information infrastructure and standards to support its information technology needs.

**Defense
Information
Infrastructure**

The Defense Information Infrastructure (DII) emphasizes the importance of providing mission critical information including financial services necessary to sustain operations. The DII strategy serves as a framework on which to provide seamless, secure information products and services to DoD users.

**Common
Operating
Environment**

The conceptual model for the migration and evolution of DoD systems also includes the establishing a common operating environment (COE). The COE establishes an integrated software infrastructure that facilitates the migration and implementation of functional mission applications and integrated databases across information systems. The DII COE provides a distributed application infrastructure that promotes interoperability, portability, and scalability. This is accomplished by addressing the direct needs of each functional area, as well as the end-user and systems requirements as they continue to evolve. The overall objective of the DII COE is to provide common integrated services that can be shared by the entire DII community.

Joint Technical Architecture The Joint Technical Architecture (JTA) establishes a set of standards, based on a DoD consensus that support seamless operations among DoD information systems. The objective is to enable interoperability among information systems by leveraging technological advancements to satisfy modernization demands for resource sharing and transparency in data format and access. This approach will achieve interoperability across DoD functional areas and command levels, open standards-based systems, and shorter technology insertion cycles by using modular packaging techniques to implement system components.

The DII COE represents a comprehensive DoD-wide framework for developing technical infrastructures. The Department is developing a corporate information infrastructure environment that integrates financial system architectures within the DII COE framework and is compliant with JTA requirements. The architecture includes a corporate database and corporate data warehouse. The corporate information infrastructure will serve the data storage and management needs for all new and reengineered finance and accounting application systems.

This Concept provides a target infrastructure based on the DII COE, the corporate information infrastructure, and major ongoing initiatives. Full implementation of the described architecture and complete rollout of technological improvements depend on ongoing business case assessments. As Figure II.5 on the next page illustrates, the Department's financial management technical infrastructure is based on a conceptual model of systems, system interfaces, data elements, and structures that build upon each other.

Building Blocks The technical infrastructure is composed of following four blocks:

1. System Architecture. The system architecture addresses the utilization of a shared data environment consisting of a corporate database and a corporate data warehouse. The corporate database will be a logically defined database that utilizes standard processes and data elements that supports financial reporting, financial management analysis, prevalidation of disbursements with related obligations, cash accountability, and a global edit capability. It will tie together accounting and transaction processing applications.

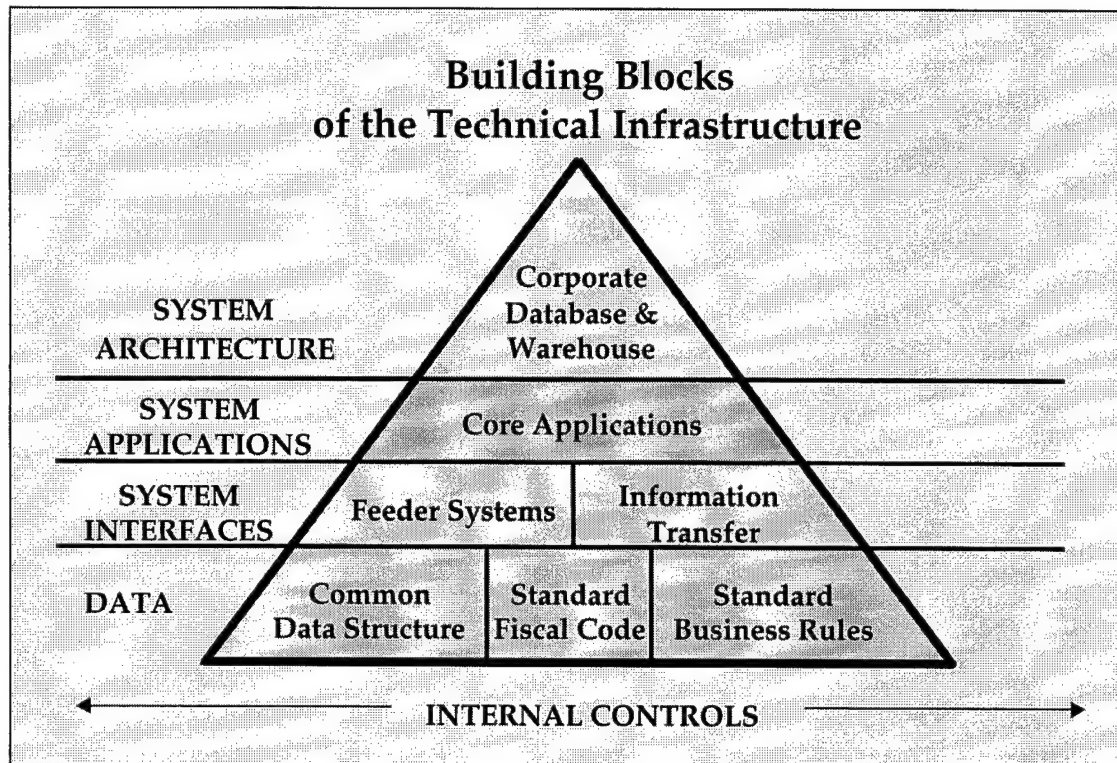


Figure II.4 Technical Infrastructure Building Blocks

By storing all financial data centrally, a corporate database will provide:

- a detail driven United States Government Standard General Ledger (U.S. SGL)
- precise reporting
- accurate cash accountability
- interface medium for all systems
- increased internal controls and an end-to-end audit trail that spans the life of a transaction and all systems used in processing
- near real-time delivery of program management information
- accurate trend analyses and management information

2. System Applications. System Application focuses on the core financial Management requirements of financial event processing, transaction processing, and accounting and reporting functions. Systems that are currently transferring data back and forth between transaction processing systems and accounting and reporting systems should have a central point to gather and standardize the data (the corporate database).

3. System Interfaces. System Interfaces refer to the interfaces between core Financial management systems and program financial management feeder systems and the method of the transfer of information between systems. A

corporate database will meet shared data objectives, incrementally integrating data initiatives while minimizing change to program feeder system applications and interdependencies of initiatives.

4. Data must be read in a common format. All systems and interfaces that use a common data structure will utilize a single physical database structure. This will be used for all new and reengineered applications and interfaces:

- Global Edit Tables (GET) will be used to provide a single reference capability within the accounting and finance network for accumulation and dissemination of standard fiscal code and standard transaction data
- A standard fiscal code will exist and will be an accounting classification structure with standard code values and a single publication source that facilitates the recording of all transactions
- Database rules such as posting of the U.S. SGL or edits for standard transactions, which are common to all financial management system applications, will be stored in a corporate database

The Department will establish a corporate database and corporate data warehouse to help meet systems integration objectives and migratory strategy. Figure II.5 depicts the flow of information to the corporate database.

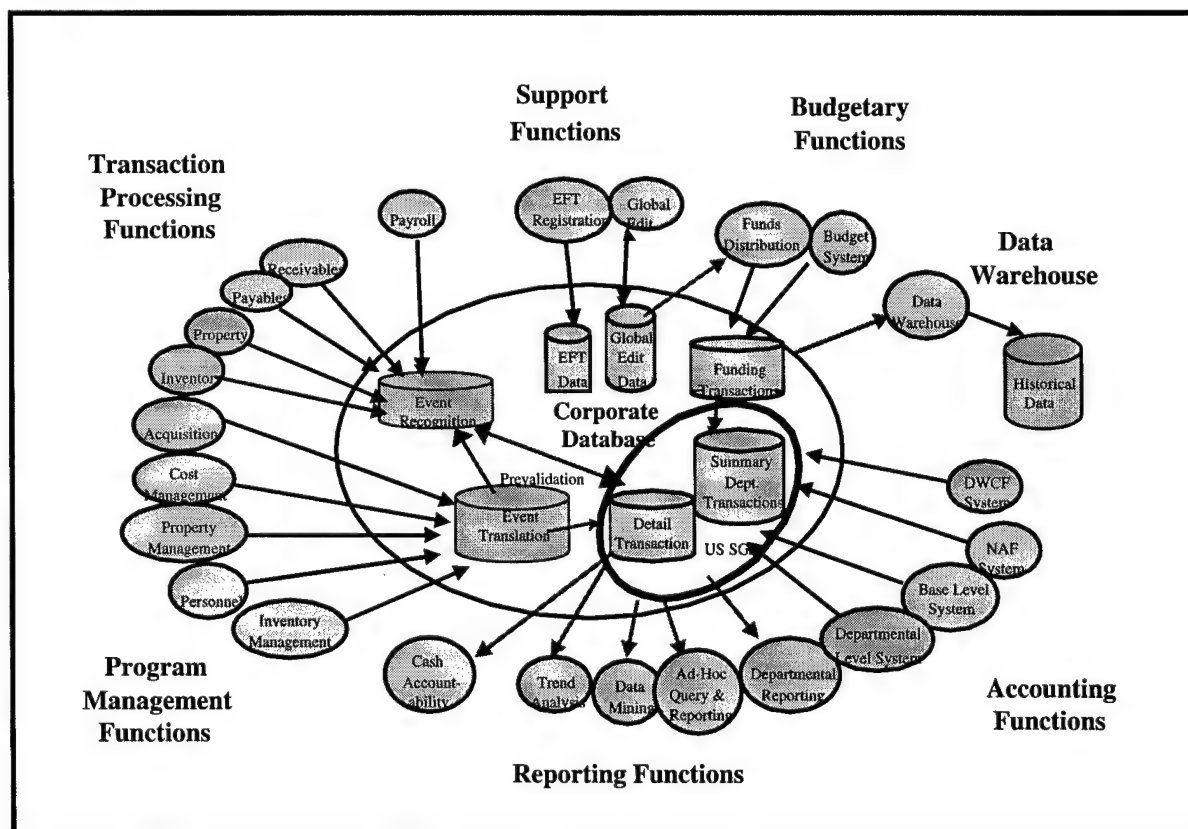


Figure II.5 Corporate Database

The corporate database will be the repository for on-line transaction processing, and contains only standard data and an available audit trail to source data. It will incrementally integrate accounting and finance systems initiatives and minimize changes to legacy applications. This will reduce time, cost, and risk involved in system development and migration to standard interfaces. The corporate database will contain real-time processing information and will resolve delayed information due to the batch processing requirements of multiple stovepipe systems.

System
Architecture

The corporate database will also provide a platform for the integration of common functionality. The corporate database will help eliminate unmatched disbursements (UMD), negative unliquidated obligations (NULO), and problems and time delays associated with prevalidation. All payments disbursed will be posted to the corporate database shared by all systems thus eliminating many types of potential problem disbursements (e.g., intransits and intra-Departmental cross disbursements).

The data warehouse will receive its data primarily from the corporate database. It will be based on a comprehensive and consistent data model, data definitions, and physical database structure. Data in the warehouse will provide documentation for all changes to date, support data analyses and allow for comparisons between periods. The data will be read-only and optimized for queries and reporting.

The corporate database will contain the U.S. SGL and the financial event processing functions. Source documents entered into program feeder systems or accounting systems are fed into the corporate database. The corporate database prevalidates funds internally by comparing the data received from both the program feeder system and the accounting system. Once this information has been pre-validated, it can interface with a transaction processing system to make a payment and disbursement (if necessary).

The reporting of information can also occur from the corporate database because information flows between all systems to a data warehouse. The data warehouse will redirect the flow of all existing interfaces through the corporate databases and allow migration to a standard transaction process.

System
Applications

The systems supporting transaction processing functions and accounting and reporting functions will be reduced to the minimal number per function required to provide the most effective and efficient accounting and finance services possible. Each of the transaction processing functions should be supported by a single DoD system used by all DoD components. For example, payments to vendors, currently performed separately from contract pay, will no longer be customized to each DoD component. Disbursing functions will have a standard input transaction and should produce the disbursement and the appropriate accounting data.

The payroll system will be interrelated with the necessary personnel and time and attendance systems. All interfacing personnel systems should be automated and integrated with the appropriate civilian or military pay system. Systems capacity will then be able to rapidly handle changes in personnel pay status. The personnel or time and attendance systems will support all types of pay events (e.g., promotions and separations).

Property and inventory accounting systems will maintain detailed accounting information concerning fixed assets and other property on an individual basis throughout their life. They will be in a single integrated system used for maintaining accountability for all types of property, plant, and equipment that will allow for daily actions, such as transfer of property to be reported to general ledger accounts. This will reduce the amount of manual reconciliation and avoid updating component unique systems.

The systems used for accounting and reporting functions provide the overall accountability infrastructure. The Department will operate with standard DoD-wide systems for general funds and working capital funds. This will not occur until consolidation to a standard software suite by component. As a result, the number of component unique program feeder systems, such as those reporting property management information will be reduced. Defense departmental reporting will use one standard departmental reporting system. Treasury reports will then be produced using the U.S. SGL from this system. The production of CFO financial statements will be consolidated, as will the Department's fiduciary responsibilities.

Funds control systems must ensure that spending does not exceed funds appropriated or authorized. It will support the relationships between budgetary accounts in the general ledger. Budgetary reporting information will come from the same system as the accounting reports.

Although the DFAS is responsible for the majority of the Department's accounting and finance systems in the target architecture, the DFAS is not responsible for all of the systems that produce financial data and feed information to the Department's corporate database. Systems that support program functional areas, including acquisition, medical, logistics, and personnel, originate and process a significant amount of financial data that is ultimately reported on financial statements. Valid data from these program feeder systems are imperative for the production of financial statements that must be validated and auditable to their source.

System Interfaces

The interface strategy is to:

- separate data from applications
- migrate to standard transactions

- redirect the flow of all system interfaces through the corporate database
- simultaneously convert the interface data using edit tables and standard data structures
- reduce time, cost, and risk involved in system development

Information transfer will provide seamless, efficient, and transparent information exchange services for data applications and will encompass local and wide area networks. While communications connectivity may be transparent to the functional users, its integration represents the structure upon which DoD financial services reside. Cross-functional interoperability results from the integration of functional area information infrastructures (e.g., finance, logistics, personnel) into the DII shared data environment. This integration enables easy exchange of information among functional areas.

Electronic data interchange (EDI) technology will be fully implemented into the vendor and contract pay systems. The EDI, electronic commerce (EC), and electronic funds transfer (EFT) provide standard methods for accurate, reliable, and timely computer-to-computer exchange of all business transactions including financial information and funds. Although not new to the Department, the use of EDI will continue to make maximum use of electronic data for the paperless processing of business-related transactions.

Building on the computer-to-computer exchange of business transaction concept, the Department will continue to develop web-enabling applications that allow for transmission of free form data on the Internet.

Electronic document management (EDM) and electronic document access (EDA) provide the Department with the opportunity to receive and process documents electronically. These two systems, working together, will reduce the dependency on paper especially for contract and vendor payments. EDM/EDA can be expanded to virtually any documents that are used in high volume and offers the opportunity to store and retrieve contract documents electronically, thus reducing the need to print, mail, file, and manage paper. Designed to integrate with other electronic document initiatives, EDM/EDA will be a DoD-wide virtual file cabinet. Authorized users using Internet tools from nearly any location can access these electronic documents.

Data

The standardization of financial and other data will exist through the use of a DoD-wide data dictionary, which includes standard accounting and finance data elements. Data standardization incorporates formats of mutual interest and promotes increased use of capabilities such as electronic transfer of payments. The Department will have standardized data through a common accounting classification data structure and general ledger account codes.

A common accounting classification data structure will be required. The structure with its subordinate elements and codes is the language used to

capture, store, manage, and report financial information. The data structure will be the official common language for inter-relating programming, budgeting, accounting, and manpower. The common accounting classification data structure is expected to be implemented in core financial management systems where business case analyses justify the investment.

General ledger account codes will be used as a way of standardizing transaction processing for the U.S. SGL. The CFO Act requires such accountability and the Department will work diligently to comply with the requirement. The Department will standardize general ledger account codes so that cross-walking transactions between the separate general ledgers will not be necessary.

Internal Controls

The technical infrastructure will address internal controls in the following areas:

- control environment
- risk assessment
- control activities
- information and communication
- monitoring

Technological developments, disruption of information systems processing, and changes from manual to automated procedures will continue to be high risk factors that require internal controls. The control environment for the technical infrastructure requires that personnel must have the key competencies to perform their duties before interacting with financial management systems. Management must be able to assess the technical infrastructure to determine the proper amount of responsibility to delegate.

Computer controls will exist to check data accuracy, completeness, and the appropriate authorization of transactions. An automated information system (AIS) security program will integrate available security capabilities (i.e., strong identification and authentication, secure certification authority workstation, electronic signature, encryption, and internet management software) for all systems. The AIS program will implement safeguards to protect systems from an intentional or unintentional modification of data.

A Public Key Infrastructure (PKI) is a portion of security management that will aid in the process of encryption of data. An individual will have a "private key" that signifies that any encrypted message is authored by a single entity (that person in possession of the private key). Any individual wishing to read the encrypted message must be in possession of a "public key" to decode the original message. Any attempt to modify the document without the original "private key" will result, through various automated embedded processes, in a recognizably modified document. Utilization of a PKI is

becoming increasingly important with the move toward networked environments where communications and transactions occur over unsecured channels. Additionally, as the Department and the Federal Government fully employ paperless contracting, cryptography will need the support of a PKI to ensure confidentiality and integrity (including digital signatures) of data transmission.

Data mining is a process used for fraud detection and prevention. Fraud detection is required to minimize theft of the Department's financial assets. Data mining is conducted by collecting and analyzing large volumes of data. An analysis of data anomalies is performed in search of indicators sufficient to warrant investigation and to identify possible individual intrusion into financial systems for illegal personal gain. Areas of focus include validation of:

- vendor payments
 - military, civilian, and retired and annuitant payrolls
 - transportation payments
 - payment system intrusion
-

SUMMARY

This section described the conceptual framework the Department needs to establish for sound financial operations. The framework is based on a functional concept and an infrastructure concept.

- The functional concept described the processes or actions that must be performed for financial operations. It discussed the program financial management requirements consisting of program management functions and financial event processing function. It then discussed the core financial management requirements consisting of financial event processing function, transaction processing function, and accounting and reporting function. It points out the importance of the financial event processing function, which is both a program and a core financial management requirement.
- The infrastructure concept described the resources that support the functions of accounting and finance. It discussed the location, human resources, internal controls, and technical structure needed to support accounting and finance operations. The technical structure was based on using the cutting edge technology of a corporate database and data warehousing to support the vast amounts of financial management data supporting the Department.

This Concept described roles and responsibilities for the following organizations, all part of the Department's financial management community:

- The Office of the Under Secretary of Defense, Comptroller (OUSD(C))
- The Defense Finance and Accounting Service (DFAS)
- The Military Departments and the Defense Agencies: the Army, the Navy, the Air Force, and the Defense Agencies such as the Defense Logistics Agency (DLA) and the Defense Information Systems Agency (DISA)
- The Office of the Under Secretary of Defense Acquisition & Technology (OUSD(A&T)) and the Office of the Under Secretary of Defense, Personnel & Readiness (OUSD(P&R))

The Department will use this Concept to guide the evolution of its accounting and finance policies, system, functions, and improvement initiatives by specifying the target environment needed to meet regulatory requirements, as well as provide reports necessary to Department leaders to make informed decisions.

SECTION III

CURRENT ENVIRONMENT

INTRODUCTION TO THE CURRENT ENVIRONMENT

Purpose

The Department's financial management community has over 150 initiatives underway to improve and streamline financial management and improve the timeliness and accuracy of its accounting data. This places the Department in the midst of the most comprehensive reform of its financial management systems and practices in its history. These initiatives are driven by two pressing needs: (1) the need to overcome decades-old deficiencies in financial management systems and procedures and (2) the need to lower administrative costs by fundamentally redesigning the Department's fiscal operations.

Prior to January 1991, financial management within the Department was conducted independently within each Military Department and Defense Agency. As a result, each Military Department and Defense Agency developed its own processes and business practices tailored to its particular missions with little incentive to achieve compatibility with other departmental activities. As DoD missions became more complicated and organizations were required to interact more often with each other, the incompatibility of systems and lack of standardization often resulted in incomplete and inaccurate financial management data.

Various reports completed by the General Accounting Office (GAO), the Office of Management and Budget (OMB), and the Department of Defense Inspector General (DoDIG) identified weaknesses in the Department's financial management. Subsequently, reporting requirements mandated by the Congress and supported by the GAO required the Department to provide information related to current financial management processes and systems.

The Current Environment reports on the progress to date in achieving Department's finance and accounting goals and discusses current DoD roles and responsibilities and finance and accounting structure. This section also notes the present financial management status and identifies areas that require improvement. Finally, an analysis of current DoD financial management provides an assessment of the Department's current financial management status and identifies how the Department will move from its current environment to the future environment as laid out by the Concept of Operations (Concept).

ACHIEVEMENTS AND PROGRESS TO DATE

DoD Goals In an effort to improve the Department's financial management and accounting data accuracy, the Department developed five financial management goals to serve as tools in setting priorities and measuring programmatic success. These goals seek to ensure that financial management better fulfills the needs of its leaders, meets statutory requirements, maximizes efficiency, minimizes opportunities for fraud, and provides outstanding customer service. These five goals are to:

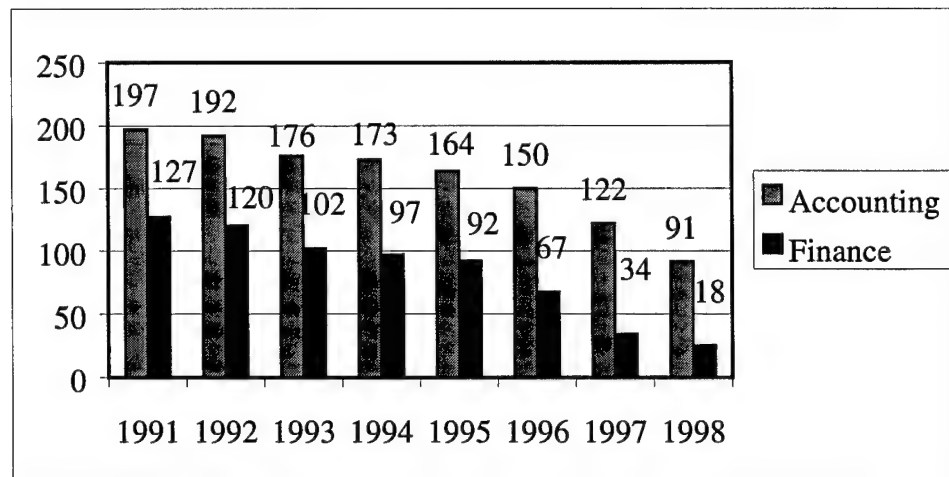
- consolidate finance and accounting operations
- reduce the number of finance and accounting systems and improve their capabilities
- reengineer DoD business practices
- strengthen internal controls
- maintain a department-wide framework to provide for sound financial management

The Department has made significant progress toward achieving these goals.

DoD Achievements In January 1991, the Department activated the DFAS by capitalizing the finance and accounting functions of the Army, the Navy, the Air Force, the Marine Corps, the Defense Logistics Agency (DLA), and other related organizations into a single DoD agency. The goal was to develop a single integrated financial management process that produces both reliable financial information for all levels of management and auditable financial statements.

Consolidated Finance and Accounting Operations The Department completed the consolidation of its finance and accounting operations during FY1998. All of the original 332 DoD accounting sites were closed and their work consolidated into 19 DFAS operating locations (OPLOC) (reduced from the original 21 OPLOC sites) and five DFAS centers. With this consolidation, savings are expected to total \$120 million per year.

Reduce and Improve Finance and Accounting Systems As shown in Figure III.1, the Department reduced the number of critical finance and accounting systems from 324 in FY1991 to 109, as of September 1998 (91 accounting systems and 18 finance systems). This represents a 66 percent reduction from the FY1991 baseline. The goal is to reach a total of 32 systems by FY2003. An inventory of critical finance, accounting, and feeder systems is located in Appendix B of this volume.



**Figure III.1 Reduction in DoD Finance and Accounting Systems
FY1991-FY1998**

An example of system consolidation is the Defense Retiree and Annuitant Pay System (DRAS). The Department consolidated eight systems for retiree and annuitant pay operations into this one standard system, resulting in a cost reduction of \$10 million per year.

To improve the Department's finance and accounting systems, the Department established a Year 2000 (Y2K) project in 1991. This project has the responsibility to monitor and track all Y2K non-compliant financial management systems. Tasks and milestones were assigned to make the Department Y2K compliant.

Reengineer DoD Business Practices

A critical aspect of the Department's financial management reform is the reengineering of its business practices, which are the procedures by which management and administrative systems function. The goal is to make DoD business practices simpler, more efficient and less prone to error through the Commercial Activities Program, the implementation of most efficient organizations (MEO), the reduction in the volume of financial management regulations, and the implementation of a government-wide purchase card.

The Department also began a full and active OMB Circular A-76 Commercial Activities Program by initiating two studies in the areas of debt and claims management and facilities, logistics and administration.

During FY1996, the Debt and Claims Management study was completed resulting in the implementation of the Federal Government's MEO. This MEO, which was fully implemented in May 1997, consolidated the debt and claims management functions at the Denver Center, and resulted in annual savings of over \$8.5 million.

The Facilities, Logistics, and Administration study, completed in May 1997, also resulted in the implementation of a government MEO. This MEO, which was fully implemented at the beginning of FY1998, will produce an annual savings of over \$4 million.

The Department took steps to reduce the volume of financial management regulations by publishing the Financial Management Regulation (FMR). The DoD FMR replaces approximately 70,000 pages of separate DoD organizational regulations. All 15 volumes of the FMR are available on the Internet. Hard copies are no longer issued, however, paper and CD-ROM copies of the volumes can be ordered through the FMR site on the Internet.

The government-wide purchase card, known as the International Merchant Purchase Authorization Card (IMPAC), is one of the Department's major efforts in business process reengineering. It allows the individual cardholder to purchase items or services under \$2,500. Vendors are reimbursed for these purchases by an authorized commercial bank, to which the Department makes consolidated payments. Implementation of this card is an achievement in streamlining the acquisition process and cutting the costs of performing finance and accounting support for the processing of commercial invoices.

A problem disbursement occurs when an expenditure has not been reconciled with official accounting records. In June 1993, when the Department began intense efforts to resolve these situations, the Department had a total of \$34.3 billion in negative unliquidated obligations (NULO), unmatched disbursements (UMD), and in-transit disbursements (INTRANST). In February 1997, the Department established a new office to focus and direct DoD-wide efforts to identify the types of disbursement transactions resulting in UMDs, INTRANSTs, and NULOs, isolate causes and reasons, and develop viable alternatives for reducing and eliminating the underlying conditions. By August 1997, the inventory of UMD/NULO/INTRANST was reduced to \$8.2 billion in absolute NULO/UMDs and \$4.2 billion in net INTRANSTs.

Strengthen
Internal
Controls

The Department implements checks, balances, and approval requirements for transactions that affect resources. Internal controls minimize the Department's susceptibility to fraud, waste, abuse, and mismanagement within its finance and accounting operations. The Department strives to incorporate the appropriate levels of verification without requiring excessive resources or hampering the ability to complete the mission.

Operation Mongoose is an example of strengthened internal controls within the Department that detect and prevent fraud. The program was established in 1994 and includes the combined team efforts of the DFAS, the Defense Manpower Data Center (DMDC) in Monterey, CA, and the DoDIG Office, including the Defense Criminal Investigative Service (DCIS). These three

organizations are working together to develop fraud indicators that are generated by discrepancies between systems. They collect and compare data from all over the Department, detect the presence of anomalies within DoD systems, examine the appropriate records to determine if the anomalies actually are a result of fraud, and pursue criminal charges against those responsible for the fraud. The objective is to establish a permanently structured organization that will detect and prevent fraud by actively seeking it out, rather than waiting for it to surface by chance, be identified by informants, or be detected by random reviews that allow too great an opportunity for concealment of the crime. Several functional areas are included in fraud investigations:

- retiree and annuitant pay
- military pay
- civilian pay
- vendor pay
- transportation pay

Maintain a
Framework

The Department has reorganized the way it operates its finance and accounting. In 1991, the DFAS was established to reduce the cost and improve the overall quality of DoD financial management through consolidation, standardization, and integration of finance and accounting procedures, operations, and systems.

The finance and accounting functions were divided between the DFAS and the Military Departments and the Defense Agencies. The DFAS processes transactions and prepares the financial statements. The Military Departments and the Defense Agencies retained certain primary level, programmatic finance and accounting functions, as they are best performed at the installation and agency level.

A management oversight structure was constructed to ensure the involvement of the Department's senior leaders in the financial improvement process. This structure includes a DoD Financial Management Steering Committee and a Working Capital Funds Policy Board. These entities are actively engaged in approving and monitoring the Department's financial management reform efforts.

ROLES AND RESPONSIBILITIES

Over the past several years, the Department's finance and accounting organization and management structure underwent major changes. Significantly, the DFAS, the Military Departments, and the Defense Agencies now share the finance and accounting responsibilities that previously belonged only to the Military Departments and the Defense Agencies.

Organization and Management

As illustrated in Figure III.2, two chains of command within the Department perform finance and accounting operations. On one side is the DFAS, which reports to the USD(C) within the Office of the Secretary of Defense. On the other side are the Military Departments, headed by their respective Secretary, and the Defense Agencies, led by their respective Director. Each Military Department Secretary has an Assistant Secretary (Financial Management and Comptroller) who directs and manages financial management activities consistent with policies prescribed by the USD(C) and the Military Department's implementing directives. Each Defense Agency has a Comptroller whose responsibilities are similar.

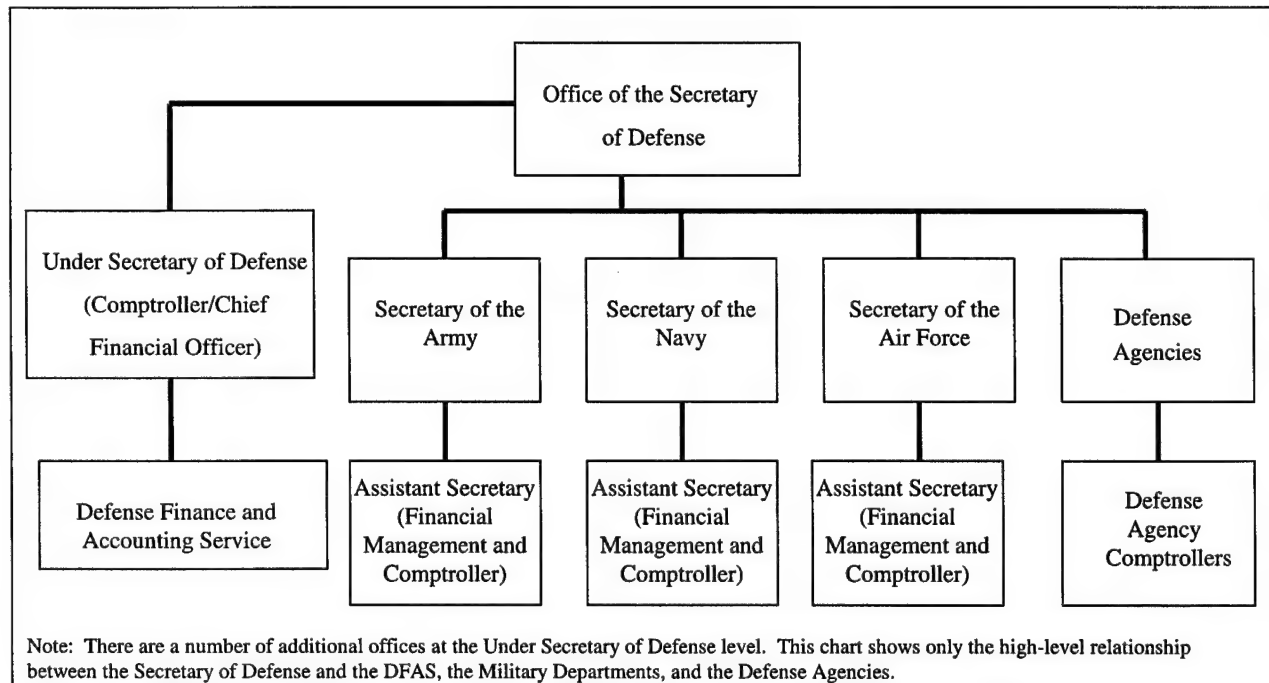


Figure III.2 Relationship between the Secretary of Defense and the DFAS, the Military Departments, and the Defense Agencies

Under
Secretary of
Defense
(Comptroller)

The USD(C) is the principal advisor and assistant to the Secretary and Deputy Secretary of Defense for budgetary and fiscal matters (including financial management, accounting policy and systems, budget formulation and execution, and contract audit administration and organization), DoD program analysis and evaluation, and general management improvement programs.

The National Defense Authorization Act for Fiscal Year 1994 designated the USD(C) as the Department's Chief Financial Officer (CFO). Specific duties of the USD(C)/CFO as specified in the Chief Financial Officers Act include:

- interpreting, augmenting and promulgating financial management laws, regulation, and guidance within the Department
- directing, managing, and providing policy guidance and oversight of agency financial management personnel, activities, and operations
- developing and maintaining integrated accounting and financial management systems
- monitoring the financial execution of the agency budgets in relation to actual expenditures, and preparing and submitting timely performance reports
- overseeing the recruitment, selection, and training of personnel to carry out agency financial management functions

The USD(C) has no direct line of authority over any of the financial management staff within the Military Departments, the Defense Agencies, or DoD field activities. They report through their own organizational structure to their respective unit heads. The USD(C) and the unit heads report to the Secretary of Defense. The USD(C), however, does issue policies, instructions, regulations, and procedures relating to financial management matters and the production of financial statements, which are binding on all DoD activities.

DFAS

The DFAS was activated on January 15, 1991, to reduce the cost and improve the overall quality of DoD financial management through consolidation, standardization, and integration of finance and accounting procedures, operations, and systems. The DFAS is responsible for identifying and implementing finance and accounting requirements, systems, and functions for appropriated and non-appropriated funds, as well as working capital funds, revolving funds, and trust fund activities, including Security Assistance.

In December 1992, the DFAS assumed responsibility for all finance and accounting operations and the associated 332 installation finance and accounting offices nationwide and began to consolidate. As of mid-1998, the DFAS consists of a headquarters located in Arlington, Virginia, with five centers located in Cleveland, Ohio; Columbus, Ohio; Denver, Colorado;

Indianapolis, Indiana; and Kansas City, Missouri; and 19 OPLOCs located nationwide, as shown in Figure III.3.

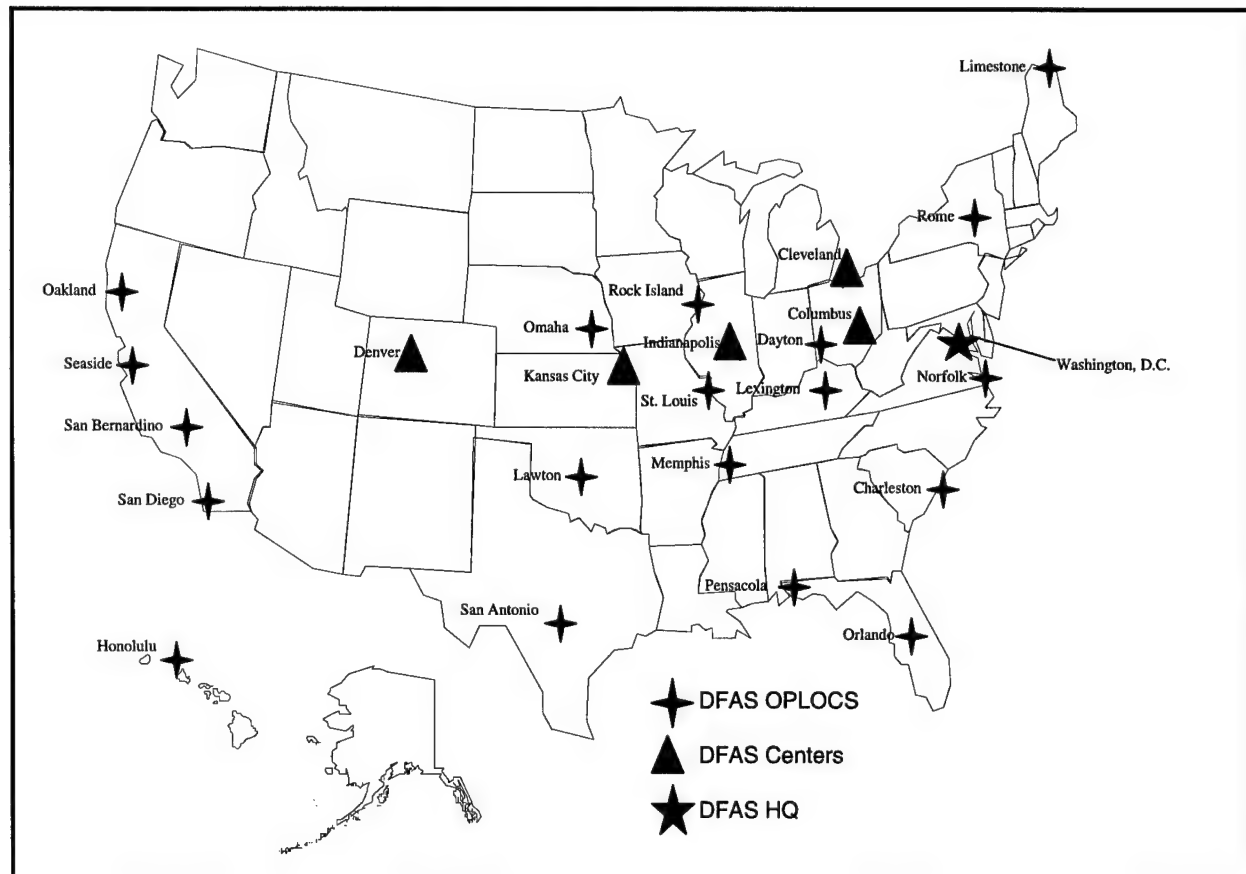


Figure III.3 Current DFAS Locations

Military Departments and the Defense Agencies

Each Military Department has an Assistant Secretary for Financial Management and Comptroller who reports to the Service Secretary and directs and manages financial management activities consistent with policies prescribed by the USD(C)/CFO and the Military Department's implementing directives. The Assistant Secretary for Financial Management and Comptroller position in each Military Department was established in the National Defense Authorization Act for Fiscal Year 1989. This act delineated many of the responsibilities of the office, including:

- managing financial management activities and operations
- directing the preparation of budget estimates
- approving any asset management systems, including cash and credit management
- collecting debts
- accounting for property and inventory systems

Each Defense Agency has a comptroller who directs and manages financial management activities consistent with policies prescribed by the USD(C)/CFO.

With the establishment of the DFAS, financial management functions were divided between the Military Departments and the Defense Agencies and the DFAS. The division resulted in certain primary-level, programmatic financial functions remaining with the Military Departments and the Defense Agencies.

DoD
Management
Oversight
Structure

The Department is using a management oversight structure to ensure the involvement of the Department's senior leaders in the financial improvement process. This includes the DoD Financial Management Steering Committee and the Working Capital Funds Policy Board (Policy Board). These entities are actively engaged in approving and monitoring the Department's financial management reform efforts.

The DoD Financial Management Steering Committee oversees the development of the functional requirements for general fund financial and accounting systems, facilitates the implementation of policy recommendations, and addresses financial management systems and practices. The Committee is chaired by the USD(C) and includes:

- the DFAS Director
- Assistant Secretaries (Financial Management and Comptroller) of the three Military Departments
- Comptroller of the DLA
- a senior official from the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD (C3I))

The Policy Board monitors the implementation and operation of the working capital funds, including policies, rates, cash flow analysis, and the criteria for inclusion of business areas therein. The Policy Board is chaired by the USD(C) and includes the Assistant Secretaries (Financial Management and Comptroller) of the three Military Departments and:

- representatives from the Joint Chiefs of Staff
- the USD (Personnel & Readiness)
- the ASD (C3I)
- the Director of the DFAS

The DoDIG is a special observer to the Policy Board. Overarching policies, procedures and reporting guidance for working capital fund activities were formally incorporated into the DoD FMR and published in December 1994. Three sub-committees, Oversight of Policy Actions, Cost Reductions, and

Performance Review, were established to develop recommendations and to review recommendations submitted to the Policy Board.

The Army General and Mission Equipment Working Group – CFO Compliance is a joint working group that includes key Army and DFAS representation. This group works to ensure successful and accurate reporting of general and mission equipment in the Army. It is determining key elements, possible approaches and solutions for meeting existing and future reporting requirements for Army equipment, as well as changes in systems to meet equipment reporting requirements.

The Senior Level Steering Group (SLSG) was created in FY1993 as a direct result of the internal audits of the Army's financial statements prepared under the Chief Financial Officers (CFO) Act. It is composed of the principal deputies of the Army Staff and Secretariat. The Group's mission is to address issues raised by the auditors and develop approaches to meet the requirements of the CFO Act. In addition, the Group's responsibilities have been expanded in recent years to include acting as the Secretary of the Army's corporate review board for his annual statement of assurance on management controls, and for the review of selected and potential Army-level material weaknesses.

The Real Property Integrated Process Team (RP-IPT)-CFO Compliance is a joint working group that includes key Army and DFAS representation to assist in ensuring the successful and accurate reporting of land, buildings, and structures. The RP-IPT determines approaches and solutions for meeting existing and future reporting requirements for the Army's real property. Specific issues addressed by the RP-IPT include:

- overall issues of accounting for and reporting of the Army's investment in land, buildings, and structures
- determining how to apply definitions for Stewardship Reporting
- identifying data sources to quantify and value the Army's investment in land, buildings, and structures

The team is currently in the process of determining and implementing changes needed to existing systems to meet the reporting requirements for real property.

FINANCE AND ACCOUNTING STRUCTURE

Operational Structure

The Department's current finance and accounting structure is split between the Military Departments and the Defense Agencies, and the Department's primary financial accounting organization, the DFAS. The primary or source level financial management data originates with the Military Departments and the Defense Agencies. This data is then fed to the DFAS where the data is processed in the Department's financial and accounting systems.

As the Department's financial management service organization, the DFAS processes transactions and prepares the financial statements. The DFAS charges each Military Department and Defense Agency a fee for its services.

The Military Departments and the Defense Agencies are responsible for providing the DFAS with source finance and accounting data. Operational commanders and program managers acquiring, managing, allocating, transporting, using, or disposing of DoD resources generate this source data, called program events. The Military Departments and the Defense Agencies own and operate the program feeder systems that feed program event data to the DFAS. The DFAS then processes the data and provides commanders and managers, at all levels, the financial information they need to make informed financial decisions, meet reporting requirements, and maintain the general ledger.

DFAS Functions

The DFAS is organized to perform the Department's basic finance and accounting operations. Finance operations include the processing of payments to DoD personnel, retirees, annuitants, and contractors. Accounting operations record, report, and analyze financial activity.

Finance Functions

Currently, the DFAS performs the following nine financial activities, primarily focusing upon payment operations.

1. Military Pay is the payment of uniformed men and women.
 2. Retiree and Annuitant Pay is the payment of military retirees and dependants.
 3. Civilian Pay is the payment of DoD civilian employees.
 4. Vendor Pay is the payment of commercial invoices, except for centrally managed contracts.
 5. Travel Pay is the payment for official duty travel.
 6. Debt Management is the collection of debts from individuals and contractors.
 7. Disbursing releases monies for various types of functions.
-

8. Contract Pay is the payment to DoD contractors for goods or services rendered against centrally managed contracts.
9. Transportation Pay is the payment for government bills of lading and transportation requests.

Accounting Functions

Accounting functions currently consist of six activities.

1. Working Capital Fund activities operating in a business-like environment where the customer requiring the support pays for services or products on a unit-cost basis.
2. General Fund supports the management of funds appropriated by the Congress to perform the Department's missions.
3. Cash Accountability records, manages, and reports DoD expenditures to the Department of the U.S. Treasury. Cash accountability information is updated by accounting, pay, and disbursing systems.
4. Departmental Reporting consolidates budget execution, expenditure, and general ledger information from the Defense Working Capital Fund and General Fund accounting systems to produce fiduciary and managerial reports for the U.S. Treasury, the OSD, the OMB, the Military Departments, the Defense Agencies, and other federal agencies.
5. Foreign Military Sales provide accounting support to activities that sell military equipment, weapons, technology, and training to foreign governments based on agreements with the United States.
6. Non-Appropriated Funds support revenue-generating morale and welfare activities for the Military Departments and the Defense Agencies, such as officer and enlisted clubs, hobby shops, and billeting funds. These activities operate like a private-sector business and are supported by user fees.

The Military Departments and the Defense Agencies

With the establishment of the DFAS as the Department's financial service organization, the Military Departments and the Defense Agencies generally no longer perform core finance and accounting functions at the installation and agency level. However, the Military Departments and the Defense Agencies did retain managerial accounting responsibilities to provide oversight, validation, and review of the following functions to support the activity commanders, agency directors, and the DFAS OPLOCs.

- Reviewing and computing travel claims prior to forwarding them to the operating locations
- Assisting the OPLOCs with follow-up on problem transactions
- Distributing funds
- Providing data electronically and forwarding documents to the OPLOCs
- Preparing and processing collection vouchers for checks and cash received locally

-
- | | |
|--|---|
| <ul style="list-style-type: none"> • Reconciling funding document differences • Printing hard copy reports as required • Processing receiving reports • Approving travel obligations • Providing military pay customer service • Providing cash support for contingency operations | <ul style="list-style-type: none"> • Inputting civilian and military pay transactions • Interpreting accounting reports for the installation • Monitoring legal limitations • Inputting accounting transactions (i.e., commitments, earnings, funds, inventory transfers, real property transfers, and obligations) |
|--|---|
-

Technical Supporting Structure

The DFAS maintains the core systems required for finance and accounting. Each of the five DFAS centers is responsible for supporting certain functions and the systems required to support those functions. Multiple systems are used to perform the majority of finance and accounting functions, though some functions are performed from one system. For example, the vendor pay function is performed at multiple DFAS locations using multiple Service-specific systems, while DFAS-Cleveland performs the retired pay function and uses one system to support this function.

The Military Departments and the Defense Agencies maintain their own program systems to support their respective missions, though not all program systems contain source-level financial management information. Program systems that contain information necessary for financial management are considered program feeder systems. These program feeder systems send finance and accounting information to DFAS systems through real-time, electronic, or manual interfacing. The optimal type of system interfacing is real-time, where source data is entered into a relational database and available in the format needed virtually immediately to all other users of the database. The majority of feeder system data, however, is not entered into a relational database but transmitted by electronic or manual interface.

Electronic interfacing entails downloading the information during the transaction process into a file in a standard data format, to be sent electronically or via floppy disk to the next user, where it is uploaded and opened. This process is slower than real-time, as this process occurs only at the user's discretion when he or she creates the batch file and sends it to the next user (often only once at the end of the day). This type of process must occur every time data is passed from one user to the next.

Manual interfacing requires the user at the source level to manually write down information to be passed to the next user and entered into the finance and accounting system. This type of interfacing is most susceptible to errors, may lack an adequate audit trail, and is least reliable of the three.

The Military Departments and the Defense Agencies input source documents into a feeder system. The data is batch processed into a file at the end of day one and sent via electronic transfer to a transaction processing system where data is verified and matched against records. Transactions are then batch processed at the end of day two and sent through a prevalidation process with the accounting system to verify funds availability. If funding is prevalidated, they are batch processed again and sent at the end of the third day back to the transaction processing to be recorded. Once recorded, transactions are batch processed and sent to the disbursing system to be recorded and paid. Another batch file is created and sent to the accounting system to create an accrual and record it.

The Department is currently employing technological improvements, which include some electronic commerce and electronic data interchange (EC/EDI). The benefit of using EDI is one-time data entry, which minimizes the opportunity for data error. The benefit of EC is that it provides prompt payment to vendors and reduces the amount of paper used. Organizations throughout the Department are in different stages of implementation of EC/EDI.

The Department is also using electronic funds transfer (EFT). Currently, over 90 percent of DoD civilian employees and military personnel have their pay directly deposited into their accounts through EFT. The DFAS is also implementing EFT in its vendor pay systems.

FINANCIAL MANAGEMENT STATUS

Scope The Department is aware of the areas in which it must improve to achieve efficient and effective financial management and has pursued various activities to do so. Specifically, the Department is concentrating on eliminating the impediments to achieving auditable financial statements.

Status of Impediments to Auditable Financial Statements Impediments to producing financial statements are grouped in these four problem areas:

- inadequate program feeder systems,
- inadequate core systems
- internal environment
- external environment

Inadequacies in the Program Feeder Area The main issues under the program feeder area concern:

- program feeder systems
- inventory
- property, plant, and equipment (PP&E)

Program Feeder Systems The Department faces several impediments to auditable financial statements because of its program feeder systems. These impediments include the following:

- program feeder systems are not modernized
- data discrepancies exist between the feeder systems and the core systems that capture program data
- program feeder systems lack common data elements

Program feeder systems were not originally designed to record or transmit all of the data elements needed by financial management systems to properly account for the Department's property and assist financial managers in managing costs. Therefore, discrepancies exist between data in the feeder systems and data in the core systems. As an estimated 80 percent of the data needed for financial management come from program systems, the use of modern, fully-integrated, and fully-interfaced program feeder systems is necessary for the Department to be able to provide its managers with the information they need to make informed decisions. The current use of a variety of non-integrated databases precludes the easy or reliable interfacing of

information from program functional areas (i.e., personnel, acquisition, and logistics) with the Department's core finance and accounting systems. Additionally, these systems often are not sufficiently flexible to respond rapidly to changing customer bases, legislative changes, contingency operations, management initiatives, or requirements from other government agencies.

The future architecture of the Department's target financial management systems, as described in the Concept of Operations and detailed in the initiatives of Volume II, is designed with the requirements for modernized technology, standardized data elements, and real-time interfaces. This design will facilitate the effective and efficient transmitting of data between program feeder systems and core financial management systems.

Inventory

The Department faces several impediments to auditable financial statements because of problems with inventory. These impediments include the following:

- inventory valued at selling price and not historical cost
- problems with inventory account classifications
- disagreement as to when operating materials and supplies are issued to the end user
- how ammunition and munitions are categorized

An important aspect of the Department's financial management operations is the ability to consistently value and reconcile inventory to financial account balances. Current accounting standards require the Department to report inventory at historical cost or at latest acquisition cost if adjusted by an allowance for unrealized gains and losses to approximate historical cost. The Department's inventory systems do neither. Instead, the Department's inventory systems value assets at standard (selling) price. Additionally, inventory values are not included in DoD financial systems, but in logistical inventory systems. As a consequence, the dollar value of inventory reported on financial statements is a calculated amount, not a system-driven amount. These calculated amounts are determined using a computational formula that adjusts logistical inventory values to an approximation of historical cost and latest acquisition cost.

There is a difference of opinion regarding when operating material or supply is issued to end users. The Statement of Federal Financial Accounting Standards (SFFAS) No. 3, "Accounting for Inventory and Related Property," states that the consumption method of accounting for the recognition of expenses shall be applied for operating materials and supplies. The consumption method requires federal agencies to account for its operating materials and supplies as an asset until such time as they are issued to an end user for consumption.

Alternatively, the Standard states that the purchases method specifies applied to operating materials and supplies. The purchases method provides that operating materials and supplies be expensed when purchased. The purchases method may be used if (1) operating materials and supplies are not significant amounts, (2) they are in the hands of the end user for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method of accounting.

Categorizing ammunition and munitions as operating materials and supplies under SFFAS No. 3, could require the Department to record an expense when ammunition and munitions are consumed. The Department does not have the processes or systems capable of reporting such expenses on a consumption basis.

PP&E

The Department faces several impediments to auditable financial statements as a result of problems with PP&E. These impediments include the following:

- the value of general PP&E is not recorded at historical cost
- information concerning quantities and condition of national defense PP&E is not maintained in financial systems but in logistical systems; in addition, supporting documentation for historical cost of national defense PP&E is not available
- the value of government property in possession of contractors is not captured
- the values of equipment and real property owned by field units and installations are not captured
- unserviceable equipment awaiting repair is not valued properly

The accounting standard for the recording of general PP&E requires that (1) it be recorded at historical cost and depreciated, (2) costs necessary to bring the assets into a fully operational condition shall be included in the recorded cost, and (3) when the historical cost of existing general PP&E assets is not available, estimates are to be used. The Department's accounting systems were not designed to capture, retain, and depreciate the costs of PP&E assets.

The Exposure Draft amending SFFAS No. 6 and No. 8, requires the reporting of quantities, condition, and funding trends of national defense PP&E (e.g. weapons systems). An additional requirement proposed for comment by respondents to the Exposure Draft requires the reporting of the acquisition (historical) costs of national defense PP&E assets. Information concerning quantities and condition of PP&E is not maintained in financial systems but in logistical systems. Though difficult to obtain, this information is available. However, if historical acquisition costs were required to be reported, most costs would be estimated because supporting documentation is not available. The Department has approximately \$92 billion in government furnished property in the hands of contractors. The Federal Acquisition Regulation

(FAR) requires contractors to maintain records for all government furnished property in their possession and property acquired by contractors for the Department, and to provide this information to the Department. The FAR also precludes federal agencies from keeping duplicate records, therefore the Department is dependent upon contractors for providing this information.

SFFAS No. 6 requires that all PP&E assets be recorded. The Department recognizes that its PP&E accountability and control systems are not 100 percent accurate. However, the errors that typically are identified relate to assets that have been disposed of or are not in active use.

The cost of deferred maintenance for PP&E must be reported in a footnote to the Statement of Net Cost. This is a new standard that is effective with FY1998. The Department does not have automated systems to capture and report deferred maintenance estimates that can be tied back to specific PP&E assets such as aircraft, tanks, and ships.

The Department selected the Defense Property Accountability System (DPAS) and is deploying it as an integrated property system. The DPAS provides for financial control over real and personal property and will replace over 150 separate property systems in the Department.

Deploying the DPAS DoD-wide will remedy such impediments to auditable financial statements as:

- valuation of government property in the possession of contractors
- valuation problems of unit and installation property
- valuation problems of equipment awaiting repair

**Inadequacies
in the Core
Systems Area**

The main issues under the core systems area include inadequacies in the following:

- core systems
- general ledger
- future liabilities
- U.S. Treasury fund balances
- intragovernmental eliminations

Core Systems

Properly accounting for billions of dollars of basic transactions is necessary to produce auditable government-wide financial statements. However, it is hindered by the Department's inability to ensure complete and valid data is transmitted from program feeder systems to core financial management systems because of:

- the use of a variety of non-integrated data bases
- the lack of flexibility in the coding structure of the old hardware and software technology to respond to changing requirements
- improperly captured and reported data by existing processes and systems

Several impediments affect the Department's core financial management systems. First, because of the use of a variety of non-integrated databases throughout the Department, discrepancies exist in the data between the feeder system and the core system into which data is fed. Undocumented audit trails are also an outcome of non-integrated databases. Current systems were not designed to identify where source data originated. Because manual data-entry is often performed, an automatic audit trail is not recorded, sometimes leaving financial managers without an audit trail to follow. Second, the lack of flexibility in the coding structure of the old hardware and software technology make it difficult for the Department to respond to changing financial management requirements. Last, inadequate existing processes and systems are the cause of improperly captured and reported financial statement data.

The future architecture of the Department's target financial management systems, as described in the Concept of Operations, is designed to require the use of modernized, real-time databases. This will assist in eliminating data discrepancies and undocumented audit trails, as well as provide greater flexibility in response to changes in financial management requirements. Internal controls regarding processes will be also improved to correctly capture and report financial statement data.

General Ledger The Office of Management and Budget (OMB) requires federal agencies to implement the U.S. Standard General Ledger (U.S. SGL) in their financial systems. The U.S. SGL, which is maintained, updated, and published by the Department of the Treasury, must be implemented by federal agencies at the transaction level. Agencies are permitted to supplement their application of the U.S. SGL to meet agency-specific information requirements. However, agency SGLs must maintain consistency with the U.S. SGL. DoD finance and accounting systems lack a single, standard, transaction-driven general ledger, as the U.S. SGL is not fully implemented throughout systems. The Department has mandated the implementation of the U.S. SGL and processing of transactions in accordance with SGL transaction rules in its financial management systems.

Future Liabilities The Department faces several impediments to auditable financial statements because certain of the Department's future liabilities have not been accurately assessed. These liabilities include:

- disposal of assets and environmental clean-up

- post-retirement health care benefits
- progress payments, liabilities, and advances and prepayments

Determining the future cost of liabilities through the use of current costs instead of budget obligations and including all potential liabilities in the calculation, are necessary to provide accurate estimates. The Department is establishing policy and procedures to estimate the expected disposal costs for major weapons systems such as aircraft, missiles, ships, submarines, and ammunition. The DoD FMR is being revised to incorporate specific guidance that clearly identifies the requirement for managers, at all levels, to recognize estimated environmental liabilities

In reporting the actuarial liability for military post-retirement health benefits and claims, historically the Department based these claims on funds that were obligated. The Department recognizes deficiencies in the reporting of the actuarial liability for military post-retirement health benefits and claims.

Progress payments are required to be recorded as assets for construction in progress. Any unpaid contractor costs are to be recorded as liabilities, referred to as contract holdbacks. The audit community has indicated that the Department should treat all financing payments, not just those based on the percentage of completion, as construction in progress and record liabilities. However, progress payments based upon percentage of completion represent only one type of contract financing payment the Department is authorized to make. Other financing payments are also used as a means of providing contractors financing prior to the delivery of goods under fixed-price contracts. For most fixed-price contracts, for which financing payments are issued, the Department becomes liable only when goods are delivered in conformance with the contract terms. The Department is not liable for costs that the contractor has incurred at the time financing payments are issued.

U.S. Treasury Fund Balances

The Department faces impediments to auditable financial statements because of problems with its U.S. Treasury fund balances. These impediments include the following:

- differences in the DoD U.S. Treasury fund balance and with the balance accounted for by the U.S. Treasury
- differences in the DoD fund balance with the U.S. Treasury among DoD installations and headquarter activities

Appropriation cash balances on the books of the U.S. Treasury must reconcile with appropriation cash balances on the Department's books. For all appropriations, the DFAS Cleveland, Denver, and Indianapolis Centers electronically transmit monthly collection and disbursement data to the U.S. Treasury. In addition, other agencies that collect and disburse funds for the

Department also report these amounts to the U.S. Treasury. The U.S. Treasury provides the Department with monthly and annual reports that show the U.S. Treasury's fund balance with the U.S. Treasury account balance, which is the net amount. Currently, the Department reports the amounts reported by the U.S. Treasury instead of the balance reflected in the Department's financial records on its financial statements.

Frequently, the account balances at the U.S. Treasury do not agree with the account balances on the Department's financial records. These differences are caused primarily by three items: (1) the separate accounting and reporting systems, (2) errors in the preparation and perpetuation of financial information, and (3) the DoD collection and payment process. The Department will ensure that on a monthly basis, cash balance differences between U.S. Treasury and Agency records are identified, reconciled, and corrective action initiated. The Department will continue its efforts to minimize the use of suspense accounts, ensure the supportability of suspense account balances, and ensure charges/collections to suspense accounts are being reversed and posted to the correct accounts in a timely manner.

Cash balances on the financial records of the Department installations must reconcile with the summary cash balances on the financial records of the headquarters. Fund balances for appropriations and changes thereto, along with the corresponding U.S. Treasury accounts, are maintained in the financial records of installations and headquarters. The headquarters fund balance is a summary of the various installations. The installation financial data is summarized monthly and forwarded to the headquarters level for financial reporting. Monthly reconciliations between the installation maintained accounts and the headquarters level accounts should be performed but are not always reconciled. When performed, the installation fund balances do not always agree with the account balances at the headquarters level. Therefore, the balance on the monthly financial statements is not fully supported by the detailed financial records. The imbalances are primarily caused by three reasons: (1) the variety of non-integrated databases in use preclude the easy and reliable integration or interfacing of information from other financial systems; (2) the process of transferring documents among the various financial activities creates problems such as timing differences in posting transactions to the DoD financial records as well as misplaced documents; and (3) errors in the preparation and perpetuation of financial information.

To improve this process in the long-term, the Department plans to better integrate disbursing and accounting systems and require periodic reconciliations of the installation-level and headquarters-level funds with the U.S. Treasury account balances. The gradual lowering of the prevalidation limit reduced the level of differences in cash balances between Department

headquarters and the installations. Continual lowering of the prevalidation limit and its expansion to all disbursing stations will enhance its effectiveness.

The Department will continue its efforts to work with the Military Departments and the Defense Agencies to reduce the amount of unmatched disbursements (UMD), negative unliquidated obligations (NULO), and intransits. In August 1997, the Department had approximately \$8.2 billion in UMDs and NULOs and \$4.2 billion in net intransits. Work-arounds and identification of causes at the "up front" stage will greatly reduce the number of new UMDs. The Department intends to educate and enforce the standards concerning monthly reconciliations. DFAS Centers must follow-up aggressively to ensure proper and timely reconciliations are completed. Out-of-balance conditions identified during the reconciliation process need to be fully documented and journal vouchers made as necessary to ensure supported general ledgers exist to document the financial statements.

Intra-
governmental
Eliminations

The Department faces impediments to auditable financial statements because of problems with its intragovernmental eliminations. These impediments include the following:

- verification of reported reconciliations of elimination amounts and materiality level
- reporting accounts payable, expenses, and disbursements
- reporting method and organizational reporting level

Federal agencies may be required to verify the reported reconciliation of elimination amounts between agencies. Currently, there is no guidance concerning this issue. If required, this standard would represent a very large workload for the Department.

In reporting accounts payable, expenses, and disbursements from other federal agencies, there are no standard Federal Government-wide policies, procedures, or processes. As a result, the Department does not routinely receive accrual data prior to the receipt of goods or services. The Department's accounting systems were not designed to aggregate accounts payable and expense data for individual providers of the goods and services.

Government-wide policies for FY1998 and FY1999 have not been issued that would require federal agencies to report elimination amounts at the agency, bureau, or fund symbol level. However, the current U.S. SGL structure does not provide for reporting amounts at this level of detail. Therefore, the use of the current U.S. SGL accounts will not permit elimination amounts to be reconciled accurately to the corresponding accounts submitted by other federal agencies.

Internal Environment	<p>The Department faces impediments to auditable financial statements because of several internal issues. These issues include:</p> <ul style="list-style-type: none"> • ensuring capable and competent DoD financial management personnel • the existence of fraud, waste, abuse, and mismanagement • the lack of performance measures • computer security and the Year 2000 (Y2K) issue
Financial Management Personnel	<p>Capable and competent personnel are vital to the efficient and effective operations of the Department's financial management. Comptrollers, deputy comptrollers, budget officers at the Military Departments and the Defense Agencies, and managers of accounting and finance operations at the DFAS are key DoD financial managers. The Department has a plan to enhance the capabilities of its financial managers through the use of programs and training designed to improve their technical skills and core competencies.</p>
Fraud, Waste, Abuse, and Mismanagement	<p>Fraud, waste, abuse, and mismanagement are important issues within the Department's financial management community. Accurate internal control procedures are necessary to rid the Department of these activities and to promote an efficient and effective operational environment for all finance and accounting personnel. To achieve this, the Department is reviewing various opportunities to improve its practices and procedures. Inaccurate internal controls and inefficient processes are areas for potential business process reengineering.</p>
Lack of Performance Measures	<p>Finance and accounting systems often do not include automated indicators that are linked to costs, performance measurements, or other output measurements that are necessary for financial managers' decision-making. The Department is developing relevant performance measurements and gathering the necessary data and intends to implement performance measurements in appropriate areas.</p>
Computer Security and Y2K Issue	<p>Computer security and internal controls are important aspects of a reliable finance and accounting system. The Department experiences an estimated 250,000 computer attacks by computer hackers yearly. DoD computer controls need to provide adequate protection against these attacks for significant financial functions such as payroll, personnel, disbursements, and inventory. In response, the Department continues to enhance its computer security. Systems errors can be fatal to a complex computer system, and the Y2K problem is an issue for all computer systems. The Department has identified its critical financial systems and is applying the necessary resources to ensure these systems are Y2K compliant.</p>

External Environment

The Department faces impediments to auditable financial statements because of several external issues. These issues include:

- burdensome reporting requirements
- new and unproven governmental accounting standards
- the inclusion of information for non-DoD reporting entities
- unresolved audit issues

Burdensome Reporting Requirements

Reporting requirements scheduled to take effect in FY1998 require the disaggregation of data at the sub-organization and program levels. This change presents a significant burden to the Department because of the number of organizations and the vast number of programs executed in a given fiscal year. Specific examples of burdensome reporting requirements are:

- several mandatory reporting requirements and mandatory responding to audit reports
- disaggregate reporting requires the Military Departments and the Defense Agencies to report their operations by over 75 sub-organizations and 500 programs

The Department has many mandated congressional and OMB reporting requirements associated with financial management reform and unqualified auditors' opinions on its financial statements. These include:

- Biennial Financial Management Improvement Plan (Biennial Plan)
- Financial Management Status Report and 5-Year Plan
- Remediation Plan
- OMB Passbacks
- Plan for Resolving Financial Reporting Deficiencies by FY1999

The Department is faced with a mammoth task of improving its financial management policies, procedures, systems, and operations. Existing and new reporting requirements are particularly burdensome and detract from the Department's objective to actually reform and improve its financial management policies, procedures, systems, and operations. In addition, the Department has been inundated with audit reports that require an inordinate amount of resources to prepare and coordinate response. To deal with these reporting requirements, the Department consolidated several of its existing reporting requirements into the Biennial Plan for reporting to the Congress by September 30, 1998.

The disaggregate reporting requirements mandate that the Military Departments and Defense Agencies must prepare stand-alone financial statements. Consequently, the Department must report by over 75 sub-organizations and 500 programs. Current reporting directions also (1) require

that production and non-production costs be segregated; (2) require that costs related to the acquisition of (a) federal mission PP&E, (b) heritage assets, and (c) stewardship land be segregated; and (3) suggest that agencies may find it useful to differentiate between transfer payments and administrative costs. These additional reporting requirements will increase the number of reports presented in the Military Department and Defense Agency stand-alone financial statements by several hundred.

New and Unproven Governmental Accounting Standards

The FASAB was established to recommend accounting standards for the Federal Government after considering the financial and budgetary information needs of congressional oversight groups, executive agencies and the needs of other users of federal financial information. The FASAB published several accounting standards which are central to meeting, effectively, the financial management improvement goals of the Chief Financial Officers Act of 1990, as amended. However, a forum for effectively clarifying the accounting guidance contained in FASAB standards has not been established to resolve differences in interpretation that may result in disclaimed audit opinions. Examples of some of the major standards issued by FASAB are listed below:

- imputed financing and expenses
- new accounts established for accrual adjustment
- reporting of prior year actuarial expense
- reporting of progress payments
- lack of general ledger accounting guidance
- new or revised accounting standards that result in material system changes

To deal with the new governmental accounting standards, the Department embarked on a near-term strategic project to revise, modify, and update the DoD FMR. This will incorporate FASAB's SFFAS, as well as its internal form and content guidance, issued annually following guidance issued by the OMB. The intent of updating the FMR is to provide a basis for reprogramming or developing new accounting and reporting systems.

Inclusion of Information for Non-DoD Reporting Entities

The Department does not believe that it is appropriate to include within the Department's agency-wide CFO financial statements, the assets, liabilities, and operating transactions of the Foreign Military Sales (FMS) Trust Fund. While the FMS Trust Fund is managed by the Department on behalf of the Executive Office of the President, these funds belong to foreign governments. The Department recommends that the accounts administered by the Defense Security Assistance Agency (DSAA) and funded by the FMS, not be included in the Department's financial statement preparation.

Unresolved Audit Opinions

Audit opinions rendered on financial statements are intended to indicate the degree of accuracy reflected in the financial statements. Although perhaps unintended, audit opinions frequently are misinterpreted to reflect the quality

of stewardship of public funds and assets. A clean opinion is interpreted to reflect favorably upon the management of an agency whereas a qualified, or lesser, audit opinion often is misinterpreted to reflect less favorably on management. DoD management was portrayed less than favorably because of the inconsistent audit procedures and/or unresolved audit issues that resulted in a qualified opinion of the National Defense Stockpile Transaction Fund for FY1996.

REMEDATION PLAN ANALYSIS

Background The Federal Financial Management Improvement Act (FFMIA) of 1996 required that each federal agency shall implement and maintain financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger (U.S. SGL) at the transaction level.

The FFMIA requires that the head of the agency determine whether the financial management systems of the agency comply with the requirements discussed above. Such determination shall be based on a review of the report on the agency-wide audited financial statement, and any other information the head of the agency considers relevant and appropriate.

If the head of the agency determines that the agency's financial management systems do not comply with the requirements of the FFMIA, the head of the agency, in consultation with the Office of Management and Budget (OMB) Director, shall establish a remediation plan. This plan shall include resources, remedies and intermediate target dates necessary to bring the agency's financial management systems into substantial compliance. The remediation plan shall bring the agency's financial management systems into substantial compliance no later than three years after the date a determination is made that the agency's financial management systems are not in compliance. This occurs unless the head of the agency with concurrence of the OMB Director:

- determines that the agency's financial management systems cannot comply with the requirements
- specifies the most feasible date for bringing the agency's financial management system into compliance with the requirements
- designates an official of the agency who shall be responsible for bringing the agency's financial management systems into compliance with the requirements by the date specified

Remediation Plan Discussion The Department has determined that its financial management systems are not in compliance with the FFMIA's stated requirements. To bring its financial management systems into compliance, the Department is using the resources, remedies, and intermediate target dates described in this Biennial Plan.

- Resources** The Department is committed to bringing its financial management systems into compliance with the requirements of the FFMIA. Volume II of this Biennial Financial Management Improvement Plan (Biennial Plan), details the corrective actions to achieve compliance.
- Remedies** The Department is utilizing several remedies to bring its financial management systems into compliance with the FFMIA requirements. These remedies include:
- reduction of the total number of finance and accounting systems
 - implementation of the U.S. SGL
 - implementation of Global Edit Tables
 - establishment of a Year 2000 project
 - development of the Biennial Plan
- Intermediate Target Dates** Some of the major intermediate target dates toward achieving financial management system compliance include:

Objective	Target Date
Activation of the Defense Finance and Accounting Service (DFAS)	FY1991
Establishment of Year 2000 (Y2K) project	FY1991
Identification of 500 standard data elements for the reduced total of finance and accounting systems	September 1996
Initial Global Edit Tables (GET) available	October 1997
Draft publication of the Budget Accounting Classification Code (BACC)	December 1997
Completion of the consolidation of operating locations into the DFAS	September 1998
Completion of the reduction of total finance and accounting systems from 334 to 32	FY2003

- Summary** The Department has determined that its financial management systems do not comply with the requirements set forth by the FFMIA. To attain compliant systems, the Department is implementing several remedies utilizing applicable and targeted dates, which are discussed in this Biennial Plan.

ANALYSIS OF CURRENT DOD FINANCIAL MANAGEMENT

Scope

In this Biennial Plan, the Department took a comprehensive look at its financial management operations and for the first time, articulated its concept for future operations. This undertaking required coordination from all of the Military Departments and the Defense Agencies in assessing where the Department stands currently in its financial management operations before deciding what it needs to do in order to reach its future concept.

Over the past four years, the Department achieved significant progress in its aim to improve financial management. The Department also realizes that more steps are necessary to make the transition from its current environment to the future environment as delineated by the Concept of Operations.

Current Assessment

The Department's organizational structure in previous years did not support or encourage cross-community functionality or communication. As the Department evolved and implemented joint-Military Service operations, the sharing of financial and other information across the Department became imperative. The Department's organizations and systems, unfortunately, did not easily support the ability to do so. In addition to performing joint operations, the Department also downsized to create a more efficient and effective force, but this also led to limited investment in a streamlined, up-to-date system architecture.

Non-standard operations and limited investment in modern, flexible systems lead to hundreds of duplicative, stove-piped systems that cannot be easily integrated along with non-standard regulations and procedures. Impediments to the Department's auditable financial statements primarily stem from these systems and related issues. Ultimately, these issues have combined to impair the ability of the Department to gather timely and accurate financial data for management and reporting purposes.

Transition to the Future Environment

Moving the Department from its current to the future environment will be an arduous process, as hundreds of systems and thousands of people are involved. The sheer size of the Department dictates the pace, as it is one of the largest and most complex organizations in the world. If ranked among the top ten Fortune 500 companies, the Department would hold an indisputable first place with annual appropriations one-and-a-half times as much as the revenue of its next closest rival. In fact, the Department's annual appropriations exceed the revenues of four of the top ten combined. In terms of manpower, the Department also has almost twice the number of employees as the top ten Fortune 500 companies combined. The Department's financial management

operations annually process \$288 billion in disbursements, 1.2 million invoices and 100 million accounting transactions.

The Department envisions an aggressive future environment for its financial management that involves implementing integrated systems, single transaction-driven general ledger data entry, and real-time data access. As the Department's business areas are widely diverse and complex and were not created to adapt easily to the envisioned environment, and considering the overall size of the Department and its activities, change of this magnitude poses a monumental challenge.

To bridge the current environment to the desired future environment described in the Concept of Operations, the Department updated its goals and supporting strategies as discussed in the following section, the Transition Plan. Ongoing initiatives will help the Department carry out these goals and strategies during this transition period, but new initiatives may be necessary as well. The Department's overall ability to achieve its financial management goals, however, is ultimately dependent upon the application of adequate resources, including personnel, time, and funding.

SECTION IV

TRANSITION PLAN

INTRODUCTION TO THE TRANSITION PLAN

Purpose

The Concept of Operations described the Department's target financial management environment and identified the financial management requirements, functions, roles and responsibilities, and infrastructure needed to support that environment.

The Current Environment section described the current financial management structure, the improvements in financial management the Department made over the past four years, and identified the areas the Department intends or is working on, to improve its financial management operations. Although the Department made significant improvements in its financial management operations, it realizes additional improvements remain to be made.

The Transition Plan describes the Department's goals for achieving its desired financial management operations and identifies the strategies, corrective action plans, data flows, system architectures, and organizational infrastructure changes necessary to move the Department through the transition.

Transition Approach

The Department's general approach for improving financial management is to focus primarily on correcting system issues. System consolidation efforts are generally complete for the finance functions, and the accounting systems consolidations are underway. The largest issues for the Department are the accuracy and completeness of data from the program feeder systems and the compliancy of accounting systems.

Goals and Strategies

The 1997 Department of Defense Chief Financial Officers Five Year Plan identified goals designed to improve financial management. As a result of the Department's progress in consolidating its financial operations, the Department is focusing on improving:

- finance and accounting systems that do not meet regulatory requirements
- unreliable program data from feeder systems
- inconsistent, incomplete or repetitive processes, and systems

To accomplish these improvements, the Department is concentrating its efforts on three major goals:

- reengineering business practices
 - improving financial management framework
 - implementing effective systems
-

To support these goals the Department developed specific supporting strategies for each major goal.

Strategies for
Reengineering
Business
Practices

To reengineer its business practices, the Department's strategies are to:

- analyze, revise, and implement procedures to eliminate needless or duplicative actions
- revise regulations and procedures to simplify, standardize, and improve financial management requirements
- use modern technology to the fullest extent possible to develop flexible, streamlined processes and procedures
- improve accountability by ensuring that management controls are integrated into day-to-day operations
- develop standard data elements within the Department and coordinate with other federal agencies to facilitate government-wide standards

Strategies for
Improving
Financial
Management
Framework

To improve its financial management framework, the Department's strategies are to:

- maintain an oversight structure to ensure involvement of senior leaders in the financial reform process
- strengthen the partnership with other federal agencies
- strengthen the partnership between the core financial management and the program financial management communities
- provide financial management training
- provide policies and procedures that are clear and simple, and ensure compliance with existing laws and regulations
- develop a mentoring program to include professional development and active communication channels
- provide information that is accurate and timely to internal and external stakeholders
- safeguard information and resources against fraud, waste, abuse, and mismanagement through adequate internal controls

Strategies for
Implementing
Effective
Systems

To implement effective systems, the Department's strategies are to:

- eliminate unnecessary systems and consolidate finance and accounting functions to a select set of migration systems
 - ensure finance and accounting and program feeder systems comply with statutory, regulatory and audit requirements
 - employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes
-

-
- ensure Year 2000 (Y2K) compliance
 - implement a “single entry” structure that requires one-time data input
-

Transitioning to the Future Environment

To achieve the goals with the strategies discussed above, the Department needs to improve the functions and processes associated with the program, core, and infrastructure requirements described in the Concept of Operations.

Functions associated with Program Requirements and their Deficiencies

The functions associated with program requirements (acquisition, personnel, and cost, property, and inventory management) require that data from feeder systems supporting these functions be provided to the Department’s finance and accounting systems as auditable financial events. The major deficiencies that must be addressed by the Department’s strategies are:

- inadequate valuation, reporting, and accounting of property, equipment, inventory, and supplies
- unreconciled physical inventory levels and financial statements
- undocumented audit trails
- non-integrated databases
- transactions not properly accounted for

Functions associated with Core Requirements and their Deficiencies

The functions associated with core requirements (receivables/collections/debt management, payables, payroll, property, inventory, and cost accounting, funds control, cash management, and general ledger) are the functions required to process finance and accounting transactions and report the Department’s financial status. The major deficiencies that must be addressed by the Department’s strategies are:

- non-integrated databases
- disbursements recording and reconciliation
- non-flexible systems
- cash verification and reconciliation
- undocumented audit trails
- future liabilities recognition
- a single standard, transaction driven, double entry general ledger

Functions associated with Infrastructure Requirements and their Deficiencies

Infrastructure requirements (organization, human resources, internal controls, system architecture and applications, data structure, organization, and computer security and Y2K) are needed to support the Department’s financial management operational and technical infrastructures. The major deficiencies that must be addressed by the Department’s strategies are:

- inadequate formal training for financial management personnel
 - inadequate internal controls
 - non-standardized data structures
-

-
- inadequate system and application interfaces
 - Y2K modifications
 - inadequate computer security
-

**Initiatives are
the Key to
Implementing
Strategies**

The Department is implementing multiple initiatives to correct deficiencies and/or improve the capabilities of the functions associated with the program, core, and infrastructure requirements. Many initiatives will correct or improve multiple functions in all three of the requirement areas. Appendix C provides a quick reference that associates each function with the initiatives the Department is taking to correct or improve the function. Each function with its supporting strategies and initiatives is summarized in the next section of the Transition Plan.

FUNCTIONAL SUMMARIES

Purpose The functional summaries provide a description of the function, highlight the current status, identify the deficiencies and the applicable strategies and initiatives the Department is implementing to correct them, and illustrate the system architecture if available. Volume II provides detailed information on each initiative discussed in the functional summaries. Appendix C of Volume I provides a list of each function and corresponding initiative.

The functions are organized and located as follows:

Program Requirements	Acquisition	IV- 6
	Personnel	IV-11
	Cost Management	IV-15
	Property Management	IV-20
	Inventory Management	IV-24
Core Requirements	Receivables/Collections/Debt Management	IV-28
	Payables – Vendor, Contract & Disbursements	IV-30
	Payroll – Civilian and Military	IV-36
	Property Accounting	IV-40
	Inventory Accounting	IV-42
	General Ledger	IV-44
	Funds Control	IV-50
	Cost Accounting	IV-52
	Cash Management	IV-81
Infrastructure Requirements	Human Resources	IV-83
	Internal Controls	IV-86
	System Applications	IV-89
	System Architecture	IV-92
	Data Structures	IV-94
	Organization	IV-97
	Computer Security and Year 2000 (Y2K)	IV-99

Functional Summaries Linking the functions, strategies, and initiatives demonstrates how the Department is transitioning from the current to the future environment. The next section of the Transition Plan provides additional information for each function within the three key requirements.

PROGRAM REQUIREMENT - ACQUISITION

Description	<p>Acquisition is performed to obtain goods or services that are required to support DoD programs. Acquisition information is collected throughout all phases of the contract process (i.e., selection, writing, administration, payment, reconciliation, and close out).</p> <p>Acquisition events that occur must be translated into financial events necessary to perform the accounts payable functions. Accounts payable and disbursements cannot be accurately made without the necessary feeder system data from acquisition.</p>
Current Status	<p>The Department is in the process of implementing acquisition reform to remedy acquisition processes burdened by inefficient, cumbersome regulations and duplicative feeder systems that produce inaccurate data. Because acquisition data in these systems is currently neither updated nor maintained, processes suffer from lack of integration.</p> <p>As part of ongoing process improvement initiatives, an Acquisition and Financial Management Panel Working Group developed a course of action to correct systemic problems causing problem disbursements.</p>
Objectives	<p>The Department is focusing on reforming legislative issues as they pertain to acquisition regulations and streamlining processes to reduce costs and duplication. The Department is implementing systems solutions to improve data accuracy, report compliance issues, and support the increased use of electronic commerce.</p>
Strategies	<p>The Department is using the following strategies to reach the Acquisition function reengineering objectives:</p> <ul style="list-style-type: none">• analyze, revise, and implement procedures to eliminate needless or duplicative actions• revise regulations and procedures to simplify, standardize, and improve financial management requirements• use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as EC/EDI)• provide policies and procedures that are clear, simple, direct, and thorough that ensure compliance with existing laws and regulations

Current Initiatives

The Department is implementing multiple initiatives to improve the Acquisition function.

Initiative	Objective
Standard Procurement System (SPS)	SPS was approved by the Procurement Corporate Information Management (PCIM) Council as a migratory project that will modernize and integrate approximately 76 DoD procurement systems and additional manual processes. SPS represents the merger of the two procurement functions encompassed in the contract placement and contract administration processes. SPS will provide more timely response to customer requirements, permit more cost effective procurements, improve visibility of contract deliverables, reduce procurement lead times, and provide more accurate and accessible information through shared data.
Defense Procurement Payment System (DPPS)	DPPS will integrate with the new procurement system through the use of a Shared Procurement Data Warehouse System. This initiative introduces the first "shared data warehouse" capability with another functional area to the finance and accounting environment. It allows procurement, contract management, finance, and accounting applications to access and use standard data in an interactive mode for their unique purposes.
Procurement Automated Data and Document System (PADDS)	PADDS is an acquisition system that receives requests for procurements and awards contracts. PADDS is a system-level initiative that impacts multiple accounting areas including inventory and real property tracking, accounts payable, and disbursing.
SDS (Standard Depot System)	The Standard Depot System (SDS) is a primary process within the Develop Maintenance Program.
COPS (Create On-Line Procurement System)	COPS will allow increased regulatory compliance and improve internal controls by eliminating systems duplication and correcting data inaccuracies.
Point of Sale Modernization (POS-Mod)	The POS-Mod will enable the Defense Commissary Agency (DeCA) to increase the number of payment methods (particularly credit and debit cards, and electronic benefits transfer) accepted in

Current Initiatives

continued

Initiative	Objective
	commissaries. POS-Mod will decrease the number of checks written, improve cash flow, reduce the amount of cash on hand, and enhance DeCA's image as a progressive retailer.
Acquisition and Due In System (ADIS)	ADIS acts as a repository for information regarding acquisitions via contracting, reclamation, bailment/loan, and others.
Automated Business Services System (ABSS)	ABSS is SAF/FM's response to the Vice Presidential mandate for paperless acquisition. Through single data entry, ABSS will significantly reduce problem disbursements, reduce paper processing, shorten cycle times, and enhance document traceability.
Automated Purchase Card System (APCS)	APCS was designed to streamline and automate the process of the IMPAC transactions. APCS produces card transactions used for reporting, billing, payment, validation, electronic funds transfer, and reconciliation.
Headquarters Application System (HAS)	The primary processes for HAS are funding maintenance at the AMC Depots, and billing the Depots' customers.
Standard Army Automated Contracting System (SAACONS)	The SAACONS replacement initiative is the contracting system for Army Materiel Commands (AMC) at the installation level.

Future Initiatives

The Department's procurement process will evolve over a period of four to five years as DPPS and SPS are implemented. The conceptual high-level steps for contract payment and accounting through DPPS are:

- 1) To establish initial budgetary authority, a funded activity will coordinate with its servicing accounting office to record an uncommitted or unobligated allotment for vendor payment in the corporate database.
- 2) As contract requirements are developed, a funded activity will forward the necessary documentation and fund certification information to its contracting office. Funding authority will be verified and a pre-award commitment will be recorded.

-
- 3) Upon contract award, the contracting office will submit the contract to the shared data warehouse (SDW). Data required for contract payment will be replicated in the corporate database. The related commitment will be partially or fully liquidated.
 - 4) Receiving activities will transmit receiving advise/acceptance data to the SDW.
 - 5) Contractors will transmit invoices to the corporate database where they will be validated and scheduled for payment. Included in the payment process, DPPS will includes:
 - a) receipt of all required documentation: contract, receipt/acceptance, and invoice
 - b) entitlement computation in accordance with the Prompt Payment Act, contractual terms, and any discounts, as offered
 - c) the availability of sufficient unliquidated obligations which will eliminate current external prevalidation efforts
 - 6) DPPS will update the corporate database with payment due data.
 - 7) This data will then be accessed by the appropriate disbursing system that will generate the requisite check or EFT payment.
 - 8) The DoD Corporate Database will be updated with the voucher and check number for each completed payment.
 - 9) The available fund balance and obligation amount in the corporate database will be updated after the expenditure is processed.
 - 10) The Department is planning a full implementation of a Centralized Contractor Registration (CCR) database that will contain a minimum data set of information on federal government partners. The goal of CCR is to minimize the administrative burden of data collection for both industry and government agencies, irrespective of whether a contractor is capable of conducting business electronically.
-

Architecture

DPPS will integrate with SPS through the use of a Shared Procurement Data Warehouse system. This initiative introduces the first “shared data warehouse” capability with another functional area to the finance and accounting environment. It allows procurement, contract management, finance, and accounting applications to access and use standardized data in an interactive mode for their unique purposes.

Figure IV.1 diagrams how SPS and DPPS interact with the technical architecture.

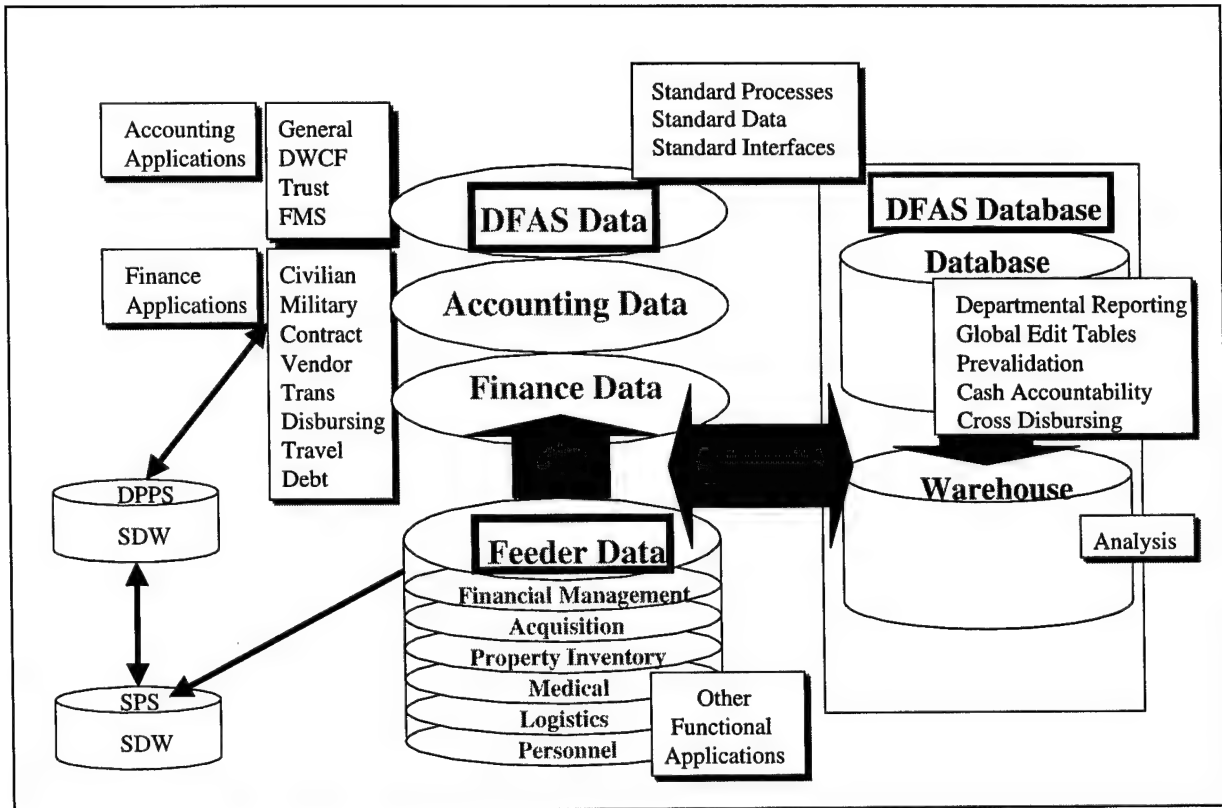


Figure IV.1 SPS and DPPS in the DoD Finance and Accounting Technical Architecture

PROGRAM REQUIREMENT - PERSONNEL

Description	<p>The Department's civilian and military personnel functions process time and attendance information and collect and maintain payroll and benefit information about employees' benefits, retirement contributions, and pension plan information. Personnel events that occur must be translated into financial events necessary to perform the payroll function. Payroll cannot be accurately performed without the necessary feeder system data from personnel.</p>
Objectives	<p>The objective is for all the personnel payroll systems to be interrelated with other necessary personnel and time and attendance systems. All interfacing personnel systems would be automated and integrated with the appropriate civilian or military pay system. System capacity would then be able to rapidly handle a change in personnel pay status and will operate as smoothly in wartime. The appropriate Military Department or Defense Agency will fund changes to the interfacing personnel or time and attendance system to ensure that it supports all types of pay events.</p>
Current Status	<p>The Department is operating the legacy Defense Civilian Personnel Data Systems (DCPDS) and is testing the upgraded version of DCPDS, which will implement standard and more effective business practices throughout the Department. The Department has also consolidated retiree and annuitant pay operations on one standard system, the Defense Retiree and Annuitant Pay System (DRAS), with a resulting cost reduction of \$10 million per year.</p> <p>Out-of-service debt management functions have been consolidated at certain operating locations and implemented as a standard system. As a result, system costs have been reduced by \$1 million per year while the consolidated operation has yielded \$8.5 million in annual savings.</p> <p>In addition, the Department is also using Electronic Funds Transfer (EFT). Currently, over 90 percent of DoD civilian employees and military members have their pay directly deposited into their accounts through EFT.</p> <p>The Department does face future liabilities under the personnel function, including the cost of post-retirement health benefits for military employees. Financial system integration problems limit the accurate assessment of these liabilities.</p>

Strategy

The following strategies apply to personnel:

- use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes
- improve accountability by ensuring that management controls are integrated into day-to-day operations
- strengthen the partnership between the core financial management and the program financial management communities
- ensure systems comply with statutory, regulatory, and audit requirements
- implement “single entry” structure where data entry for business data elements is required, provide the necessary data elements to all stakeholders within the Department, and track transactions from the source to the financial statements

Current Initiatives

The Department has multiple initiatives to improve the Personnel function.

Initiative	Objective
The Army Personnel and Pay Integration -Standard Installation and Division Personnel System (SIDPERS-3)	This initiative allows single entry to a soldier's personnel files that would impact both the personnel and finance systems. This effort requires that the location of the input maintain accountability of files and a record of the transactions, minimizing multiple input locations for a single transaction. The initiative is part of the Department's focus on bringing the total system to the level where it allows the Army to integrate fully in functions, doctrine, and accessibility to the projected DoD personnel system.
Electronic Time Keeping System (ETS)	ETS integrates and streamlines personnel systems and enters time and attendance data into the DCPS.
Automated Time and Attendance Production System (ATAAPS)	ATAAPS is a DFAS source data automation (SDA) system for time and attendance (T&A) and labor and production (L&P) reporting. The DFAS selected ATAAPS to be a SDA system for activities using the Defense Civilian Payroll System (DCPS) and the Defense Business Management System (DBMS) which require edited labor data.

Current Initiatives

continued

Initiative	Objective
Personnel Data System (PDS)	PDS feeds the financial implications of personnel actions such as new enlistees, new hires and promotions to the Air Force's civilian and military payroll systems. A modernization of the military personnel module is in process while the civilian personnel module is expected to be absorbed into DCPS.
U.S. Navy Assessment of Personnel Systems	The Assessment of Personnel Systems initiative will examine the current processing of source data automation from the military active and reserve personnel management systems to determine areas in need of modification for compliance with financial management system requirements.
U.S. Navy Assessment of Time and Attendance Source Data Automation System (T&A/SDA)	The Time and Attendance Source Data Automation System (T&A / SDA) initiative will evaluate time and attendance systems, used throughout the Department of the Navy (DoN), to determine the practicality of continuing, consolidating, or eliminating each system.
Time and Attendance Labor Productivity Reporting/Real Time and Attendance Processing System (TALPRS/RETAPS)	TALPRS and RETAPS are Headquarters Army Material Command (AMC) systems which will be replaced by ATAAPS.
Civilian Personnel Resource Reporting System (CPRRS/WYPC)	The focus of redesigning CPRRS is to centralize DCPS source data WYPC Level I processing and provide output for the field activity's use.
U.S. Navy Civilian Financial Management Career Program Improvement	The Department of the Navy (DoN) Civilian Financial Management Career Program initiative provides strategies and goals to the DoN comptrollers for development, on a continuous basis of the DoN financial management (FM) workforce.

**Current
Initiatives**

continued

Initiative	Objective
Air Force Materiel Command (AFMC) Depot Maintenance Activity Group (DMAG) Time and Attendance (T&A) (H117) Systems	The Air Force Materiel Command (AFMC) Depot Maintenance Activity Group (DMAG) Time and Attendance (T&A) (H117) Systems develop sales rates from Maintenance Labor Distribution and Cost System (G037G) data.

PROGRAM REQUIREMENT - COST MANAGEMENT

Description In managing federal government programs, cost information is essential in the following five areas:

- budgeting and cost control
- performance measurement
- determining reimbursements and setting fees and prices
- program evaluations and
- making economic decisions

The Department's managerial cost accounting system(s) should be able to provide cost information with sufficient supporting detail to allow sound decision-making in each of the five areas.

Current Status The Department has two major impediments in achieving effective Cost Management:

- required financial data elements are not maintained at organizational levels
- multiple, non-integrated systems require common data

Strategies The strategy of Cost Management is to establish a process of continuous improvement that simultaneously focuses on cost and performance to gain efficiencies and improve operations through informed decision making.

Current Initiatives The Department has multiple initiatives to improve the Cost Management function.

Initiative	Objective
Contract Depot Maintenance Production and Cost System (DMIF-DEPOTPROD)	DMIF-DEPOTPROD provides management reporting and a resource planning system for planned and actual costs of performing organic maintenance. It is being redesigned to overcome shortfalls in accounting timeliness, capabilities, and internal controls.

Current Initiatives

continued

Initiative	Objective
Corps of Engineers Financial Management System (CEFMS)	CEFMS is a financial management system that fully integrates Corps of Engineers business processes and supports the management of all types of work and funds, incorporates electronic signature capability, and source data entry.
Airlift Services Industrial Fund Integrated System (ASIFICS)	Provides transportation billing information to the DFAS.
Financial Information Resource System (FIRST)	Integrates the Air Force's budget systems into one system able to interface with other communities, implements the BACC, provides financial information to users, and streamlines the budget process.
Commercial Operations Integrated System (COINS)	Provides information used to track contracts and pay for commercial airlift services.
Army Central Fund Accounting System (ACFAS)	Transitioning ACFAS to a commercial off the shelf system (COTS).
Transportation Management System (TMS)	Implement system change request (SCR) to interface TMS with the Standard Finance System – Redesign I (SRD-I).
Joint Reconciliation Program (Army)	Corrects weaknesses that impact financial operations, data accuracy, internal controls, or operational readiness.
Automated Purchase Card System (APCS)	Automate and streamline the process of IMPAC transactions.
Automated Business Services System (ABSS)	Air Force-wide implementation of an electronic commerce/electronic data interchange (EC/EDI) system.

Current Initiatives

continued

Initiative	Objective
U.S. Navy Problem Disbursement Improvement Project	The Problem Disbursement Improvement Project will coordinate and monitor improvement efforts between the Department of the Navy and the Defense Finance and Accounting Service to identify systemic causes and to implement business process changes and system enhancements to reduce problem disbursements to an acceptable level for CFO compliancy.
Automated Civil Engineer System (ACES)	ACES is envisioned as the next step in the evolutionary phase of Civil Engineer systems.
U.S. Army CFO Strategic Plan and Senior Level Steering Group	To develop an Army-wide strategic plan for implementation of the CFO Act.
U.S. Navy Management Accounting Project (IMAP)	The Installation Management Accounting Project (IMAP) initiative provides management accounting information for shore installation management use by capturing and reporting base operating support costs.
U.S. Navy Fund Administration and Standardized Document Automation System (FASTDATA)	FASTDATA is an existing application used by a significant portion of the Navy General Fund Accounting ashore community as a source document and transaction system.
U.S. Navy Enhancement of Organizational Internal Control Structures for Financial Statement Audits	The Enhancement of Organizational Internal Control Structures for Financial Statement Audits initiative provides an assessment of the existing internal control structure of various Department of the Navy (DoN) commands and activities.

Current Initiatives

continued

Initiative	Objective
U.S. Navy Program Budget Accounting System (DoN PBAS)	The Department of the Navy (DoN) is implementing the Department of the Navy Program Budget Accounting System (DoN PBAS) as a standard integrated Department-wide funds control and distribution system.
U.S. Navy Business Process Assessment of Naval Aviation Depot Working Capital Funds Financial Statements	The project provides an overall assessment of the financial statements and focuses on the examination of all aspects of the business process to develop financial statements.
U.S. Navy Business Process Assessment of Marine Corps General Funds Financial Statements	The assessment will evaluate the effectiveness of various organizational units in preparation of the annual financial statements within the General Funds arena.
U.S. Navy Assessment of Navy Working Capital Fund (NWCF) Non-Financial Feeder Systems	This initiative will allow the DoN to identify all critical non-financial feeder modules to ensure required financial management system information is flowing to DFAS accounting modules.
U.S. Army Headquarters Integrated Facilities System – Micro/Mini (HQ IFS-M)	The Headquarters Integrated Facilities System-Micro/Mini (HQ IFS-M) initiative will focus on bringing the Integrated Facilities System – Micro/Mini (IFS-M) into compliance with Year 2000 (Y2K) requirements.
U.S. Army Joint Uniform Military Pay System (JUMPS) Standard Terminal Input System (JUSTIS)	The JUMPS Standard Terminal Input System (JUSTIS) updates JUSTIS programs to become Year 2000 (Y2K) compliant. As part of the Y2K programming, JUSTIS forms are being upgraded to ORACLE Forms Version 4.5.

**Current
Initiatives**

continued

Initiative	Objective
U.S. Army State Accounting Budgeting Expenditure and Reservation System (SABERS)	The State Accounting Budgeting Expenditure and Reservation System (SABERS) is Y2K compliant, handles funded reimbursables, multiple operating agency codes, and specific allotments for inactive duty pay.
U.S. Army Theater Army Medical Management Information System (TAMMIS)	The Theater Army Medical Management Information System (TAMMIS) initiative provides visibility of items being procured with the credit card and captures the detailed information for audit and tracking purposes.
U.S. Air Force Manufacturing Resources Planning II (MRP II)	The MRP II replacement initiative provides a full general ledger system to account for aircraft maintenance, reclamation, and regeneration activities at the Aerospace Maintenance and Regeneration Center (AMARC) at Davis-Monthan Air Force Base (AFB).

PROGRAM REQUIREMENT - PROPERTY MANAGEMENT

Description	The Property Management function encompasses the status of real and personal property, equipment, and facilities. It involves program managers purchasing, maintaining, transporting, and officially destroying property. Updating the status and condition of DoD property is imperative to the reliable reporting of assets.						
Current Status	Most program systems do not track the current status and condition of DoD property, as they were not required to do so when they were originally installed. Reliable data meeting current requirements regarding the status and condition of property is presently difficult to obtain for many areas.						
Strategies	<p>To obtain reliable data on the status and condition of property, the Department is implementing several strategies:</p> <ul style="list-style-type: none"> • improve accountability by ensuring that management controls are integrated into day-to-day operations • strengthen the partnership between the core financial management and the program financial management communities • ensure systems comply with statutory, regulatory, and audit requirements • implement a "single entry" structure where data entry for business data elements is required, provide the necessary data elements to all stakeholders within the Department, and track transactions from the source to the financial statements 						
Current Initiatives	<p>The Department has multiple initiatives for improving the Property Management function.</p> <table border="1"> <thead> <tr> <th>Initiative</th><th>Objective</th></tr> </thead> <tbody> <tr> <td>Army General and Mission Equipment Working Group-CFO compliance</td><td>Ensures successful and accurate reporting of general and mission equipment in the Army.</td></tr> <tr> <td>U.S. Navy General Property, Plant, and Equipment (PP&E) Accountability Project</td><td>The General Property, Plant and Equipment Accountability Project initiative will consolidate for accountability and financial accounting and reporting purposes,</td></tr> </tbody> </table>	Initiative	Objective	Army General and Mission Equipment Working Group-CFO compliance	Ensures successful and accurate reporting of general and mission equipment in the Army.	U.S. Navy General Property, Plant, and Equipment (PP&E) Accountability Project	The General Property, Plant and Equipment Accountability Project initiative will consolidate for accountability and financial accounting and reporting purposes,
Initiative	Objective						
Army General and Mission Equipment Working Group-CFO compliance	Ensures successful and accurate reporting of general and mission equipment in the Army.						
U.S. Navy General Property, Plant, and Equipment (PP&E) Accountability Project	The General Property, Plant and Equipment Accountability Project initiative will consolidate for accountability and financial accounting and reporting purposes,						

**Current
Initiatives**

continued

Initiative	Objective
	the PP&E used or maintained by Navy and Marine Corps Non-working Capital Fund Activities.
U.S. Navy Assessment of National Defense Property, Plant, and Equipment (PP&E)	The Assessment of National Defense Property, Plant, and Equipment initiative will examine the feasibility of creating a data warehouse application to serve as a central information repository for financial statements from various disbursed systems and functional areas.
Continuing Balance System Expanded Requisition Validation (CBS-X REQVAL)	CBS-X REQVAL will be modified to allow for proactive reject correction from the field and for automated reconciliation of data with property books.
U.S. Army Standard Property Book System – Redesign (SPBS-R)	The Standard Property Book System – Redesign (SPBS-R) is a critical feeder system that provides on-hand reportable assets and property data to the LOGSA CBS-X database.
Global Combat Support Team - Tier 1 (GCSS)	Business automation enabler for the Army's combat service support mission area.
Aerospace Vehicle Resource System (AVRS)	Integrates with other system to provide vehicle data.
U.S. Army Medical Department Property Accounting System (AMEDDPAS)	The Army Medical Department Property Accounting System (AMEDDPAS) is the property book accounting system for medical equipment, maintenance, scheduling and appointments.
Comprehensive Engine Management System (CEMS)	A CFO-compliant system that provides logistics support.

Current Initiatives

continued

Initiative	Objective
Facility and Equipment Maintenance System (FEMS)	Replacement of two systems: Facility Equipment Planning, Programming and Control system (FEPPC) and the Test Measurement and Diagnostic Equipment System (TMDE).
Integrated Maintenance Data System (IMDS)	The Air Force-standard, integrated information technology program that provides maintenance-related information.
Government Furnished Material & End Item Transaction Reporting System (GFMTR)	Reengineering of system to: 1) provide daily visibility of assets, 2) consolidate division of stock fund, 3) incorporate functionality of another system, 4) provide CFO compliance, and 5) add tracking capability.
On-Line Vehicle Interactive Management System (OLVIMS)	Integration with other systems to provide data on the maintenance of the Air Force Fleet of Vehicles.
U.S. Army General and Mission Equipment Working Group-CFO Compliance and Real Property Integrated Process Team-CFO Compliance	The Army General and Mission Equipment Working Group-CFO Compliance is a joint working group that includes key Army and Defense Finance and Accounting Service (DFAS) representation to help ensure successful and accurate reporting of general and mission equipment in the Army.
Reliability and Maintainability Informational System (REMIS)	Improves the accuracy of maintenance and selected supply information received from other systems by maintaining standard Air Force edit tables.
Navy Facility Assets Database (NFADB)	Automated file of existing facility data owned or leased by the Department of the Navy.

**Current
Initiatives**

continued

Initiative	Objective
U.S. Air Force Information Processing Management System (IPMS)	The objective of the IPMS is to provide an integrated and comprehensive means of reporting transaction level property, plant, equipment and inventory values that are subsequently incorporated into Air Force financial statements.

PROGRAM REQUIREMENT - INVENTORY MANAGEMENT

Description	Inventory management tracks supplies and their location. As inventory is managed (i.e., received, warehoused and distributed) events occur that must be translated into financial events necessary to perform inventory accounting which cannot be accurately performed without the necessary feeder system data from inventory management.
Objectives	Inventory accounting systems will be designed and reengineered to maintain detailed accounting information concerning fixed assets and other property maintained on an individual basis throughout their useful lives.
Current Status	<p>Managing this vast inventory while accurately recording and valuing the property, equipment, and supplies to financial accounts consistent with historical or latest acquisition cost, is imperative.</p> <p>The Department's inventory is currently valued at standard or selling price in violation of accounting standards. In addition, accounting feeder systems are not transmitting necessary or standard data elements to the core financial management systems that would allow managers to properly account for the inventory and manage costs.</p> <p>As a result, the Department faces unreconciled physical inventory levels and financial statements, inadequate valuation, reporting and accounting of inventory, and non-integrated financial systems.</p>
Strategies	<p>The Department recognized these problems and is focusing on streamlining through systems consolidation and improving data transmission quality by standardizing data elements. The following strategies are being implemented to improve the Inventory Management function:</p> <ul style="list-style-type: none">• use modern technology to the fullest extent possible to develop flexible, streamlined procedures, and processes• improve accountability by ensuring that management controls are integrated into day-to-day operations• develop standard data elements that are coordinated with other departments to facilitate government-wide standards• strengthen the partnership between the Department and other federal agencies, and between the core and program financial management communities

- ensure systems comply with statutory, regulatory, and audit requirements
- implement a “single entry” structure that requires data entry for business data elements, provides the necessary data elements to all stakeholders within the Department, and tracks transactions from the source to the financial statements

Current Initiatives

The Department has multiple initiatives to improve the Inventory Management function.

Initiatives	Objectives
CCSS (Commodity Command Standard System)	CCSS will improve the reliability of financial statements and incorporate changes to ensure compliance with the CFO Act. CCSS is the logistics behind the process of planning, implementing, and controlling the efficient and effective flow and storage of goods, services, and related information from the point of origin to the point of consumption, for the purpose of conforming to customer requirements.
Inventory Tracking Management (ITM) Automated Data Processing (ADP) System	ITM ADP will track and report ADP office automation equipment and services installed throughout the OUSD(A&T).
Stock Control System (SCS)	SCS maintains visibility of reparable and critical consumable assets stored at retail base accounts and redistributes base excess assets to fill backorders.
Financial Inventory Accounting and Billing System (FIABS)	FIABS processes transactions describing inventory activity of the General Support Division and some investment items for the General Funds General Ledger. FIABS also performs the wholesale accounting function in conjunction with CPAS, GAFS, and SAMMS.
Transfer of Management Responsibility Project	Identification of applications, modules, or portions of the Air Force financial, non-financial, and mixed systems that perform financial and accounting functions for the basis of the inventory of the Air Force feeder systems.

Current Initiatives

continued

Initiatives	Objectives
U.S. Navy Assessment of Logistics and Inventory Systems	The Assessment of Logistics and Inventory Systems initiative will examine the existing inventory management systems of several distinct Department of the Navy (DoN) Navy Working Capital Fund (NWCF) and General Fund business groups to define approaches to meet federal requirements for financial management systems
Integrated Logistics System-Supply (ILS-S)	The objective of ILSS is to provide reliable weapon system availability through stock availability and time definite delivery of material while continually improving service and cost performance.
Point of Sale Modernization - DCA	The Point of Sale – Modernization (POS-M) creates a single, consistent architecture that adheres to open systems standards, greatly reducing the DeCA's support burden.
World-Wide Ammunition Reporting System New Technology (WARS-NT)	The WARS-NT migratory initiative is the Army's ammunition asset visibility system, merging wholesale and retail stocks into a single National level system, with feeder data reported from a worldwide array of reporting elements.
Recoverable and Consumable Item Stratification (RCIS), D200N	The Recoverable and Consumable Item Stratification (RCIS), D200N, is being updated to communicate with the Recoverable and Consumable Item Computation (D200A), the replacement for Recoverable Consumption Item Requirements System (D041), and to integrate with the seamless supply system GCSS.
U.S. Air Force Requirements Data Bank (RDB)	The objective of the RDB system is to provide information to determine weapon system material procurement, spares, and repair requirements, ensuring that logistics capabilities are not degraded.

Milestones

The Department has major milestones for improving inventory management:

Action	Date
CCSS	<ul style="list-style-type: none"> Key Accounting Requirements (KAR) Accounts Receivable Analysis September 2000 Key Accounting Requirements Systems Operation Analysis September 2000

Architecture

The CCSS data flow, pictured in Figure IV.2, functions as a primary inventory system for The Army's Material Support Command. The Army has identified CCSS as a critical feeder system (in addition to its role as a DFAS core cost accounting system) in support of the Inventory Management function.

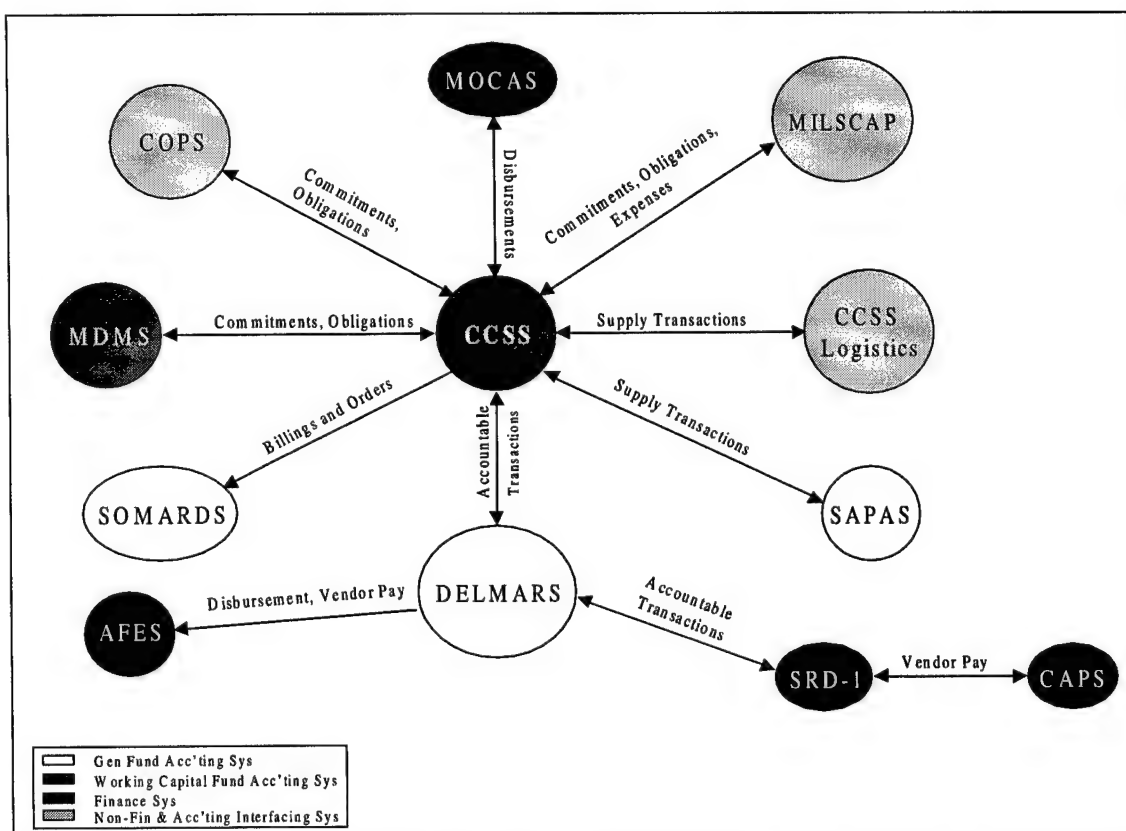


Figure IV.2 CCSS "As-Is" Data Flow

CORE REQUIREMENT - RECEIVABLES/COLLECTIONS/DEBT MANAGEMENT

Description The Department generates accounts receivables from sales to other organizations and from disbursements to contractors and employees that after further investigation and recalculation are determined to be overpayments. The collection of accounts receivable is a high priority for working capital fund (WCF) organizations. Debt management, whether it be for military, travel, or contractor pay, is considered a receivable function.

Account receivables include billing, tracking, and collecting funds that are owed to the Department. The Department sends an invoice for payment to notify the payee of the receivable. If a payee refuses to make the payment or has a dispute regarding the invoice, the receivable is researched or sent to the debt collection office for possible legal action.

Current Status The Department maintains an acceptable balance of outstanding account receivables. Generally, the collection process is effective. Account receivables are generated due to miscalculated payroll outprocessing, overpayments to vendors, and non-billing to customers. The Department is addressing the process and supporting system architectures that generate unacceptable account receivables in the appropriate functional area.

Current Initiatives The Department has multiple initiatives for improving the Receivables/Collections/Debt Management function.

Initiative	Objectives
Debt Collection Matching Program (DCMP)	DCMP identifies individuals receiving payments from the Federal Government as current or former military service members or civilian employees who are delinquent in the payment of debt to the Government.
Garnishments Business Process Reengineering (GARNBPR)	GARNBPR is a study of consolidating garnishment functions including child support, alimony, commercial debts for military members and DFAS paid civilians, and retired pay under the Uniformed Services Former Spouses Protection Act.

Current Initiatives

continued

Initiative	Objectives
Defense Debt Management System (DDMS)	DDMS is the single debt accounts receivable system for debt management and is used for both separated military members and civilian employees.

Architecture

The Department maintains one system for debt management, the Defense Debt Management System (DDMS), which is used for both separated military members and civilian employees, other individuals not on an active federal government payroll system, and delinquent contractor debt collection. If the Department does not receive the funds for the debts in a timely manner, the debt is transferred to private collection agencies, the Internal Revenue Service, or the Department of Justice. The receivable and billing functions are supported by multiple systems, generally modules of cost accounting systems.

CORE REQUIREMENT – PAYABLES: VENDOR, CONTRACT, AND DISBURSEMENTS

Description	<p>The Department purchases goods and services from multiple vendors to support all functional areas. The purchase of goods and services generates a payable. Account payables include the process of receiving, verifying, and making payments for goods and services received. The Department verifies that a valid receiving report, vendor invoice, and contract exist prior to making a payment.</p> <p>The Department's accounting practices for vendor payments and disbursements include recognizing current and future liabilities in accordance with Federal Generally Accepted Accounting Principles (FEDGAAP) and matching all disbursements with valid obligations.</p>
Current Status	<p>The verification of a receiving report, contract, and invoice is labor-intensive generally due to the large amount of paper processing. This processing also results in incorrect and untimely payments. The ineffective payments generate labor intensive customer support requirements and can cause untimely payments that lead to interest penalties or unrealized discounts.</p> <p>The Department has future liabilities that include environmental cleanup and retirement payments for military personnel. The current year recognition of future payments may not be sufficient to meet FEDGAAP.</p> <p>Inadequate systems and processes have led to billions of dollars in unmatched disbursements (UMD), negative unliquidated obligations (NULO) and intransits. The Department must reconcile these accounting balances to produce auditable financial statements.</p>
Strategies	<p>The Department's focus is to streamline the procedures for accounts payable, implement new technology to maximize availability of required data, and ensure accounting practices meet regulatory requirements. Multiple strategies apply to the Payables function including:</p> <ul style="list-style-type: none">• analyzing, revising, and implementing procedures to eliminate needless or duplicative actions• revising regulations and procedures to simplify, standardize, and improve financial management requirements

- using modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as electronic data interchange (EDI) and electronic funds transfer (EFT))
- implementing a “single entry” structure that requires data entry for business data elements once (in feeder, finance, or accounting systems), provide the necessary data elements to all stakeholders within the Department, and track transactions from the source to the financial statements

Current Initiatives

The Department has multiple initiatives for the Payables function that are designed to transition to an efficient and effective accounts payable and disbursing process.

Initiative	Objectives
Unmatched Disbursements (UMD), Negative Unliquidated Obligations (NULO), and Intransits	The Department has multiple working groups to resolve outstanding UMD, NULO, and intransits. These initiatives also identify process and system weaknesses that cause the problems, and implement corrective actions to eliminate future problems.
Integrated Accounts Payable System (IAPS)	IAPS provides automatic payment voucher creation, follow-up for missing documents (e.g. contract, invoice, and receiving reports), internal reconciliations, and a transaction history to satisfy internal control requirements.
Defense Standard Disbursing Project (DSDS)	DSDS will be the single standard DFAS automated information system for disbursing, collecting, processing, and recording disbursement data and transactions.
Automated Financial Entitlements System (AFES)	The Automated Financial Entitlements System (AFES) sustainment initiative sustains this pay legacy system and its transition to the interim and migratory system, Integrated Automated Travel System (IATS).

Current Initiatives

continued

Initiative	Objectives
Vendor Pay Strategy	The Vendor Pay Strategy initiative will develop strategies, plans, and programs to streamline and standardize vendor pay operations.
Automated Disbursing System (ADS)	ADS will be the sole payment system for the Department of the Navy and associated DFAS Cleveland Center Operating Locations.
Acquisition and Financial Management Panel (ACQPANEL)	The ACQPANEL, co-chaired by the Under Secretary of Defense (Comptroller) and the Principal Deputy Under-Secretary of Defense (Acquisition and Technology) has made 48 recommendations for the elimination of UMD.
On-line Payment and Collection/Electronic Data Interchange Payment and Collection System (OPAC/EDIPAC)	Implementation of OPAC/EDIPAC will reduce or eliminate manual invoice and payment processing between federal agencies. It will also reduce U.S. Treasury check disbursements and begin processing in an electronic data interchange (EDI) format.
Prevalidation	This procedure ensures, prior to the disbursement, that an obligation exists and that the amount is sufficient to cover the proposed disbursement. This will prevent NULO and UMD. Thresholds for applying prevalidation have been established at each DFAS center.
Implementation of Electronic Commerce/ Electronic Data Interface (EC/EDI)	Implementation of EC/EDI will greatly reduce the inefficient paper processes and provide immediate access to all offices requiring specific data.
Standard Finance System Redesign Subsystem-I (SRD-I)	Perform disbursing functions for all DFAS Defense Accounting Office (DAO) locations.
Computerized Accounts Payable System (CAPS)	CAPS is a personal computer, local and wide area network based accounts payable system that computes vendor entitlements in

Current Initiatives

continued

Initiative	Objectives
	accordance with the Prompt Payment Act and regulations pertaining to purchase orders, receiving reports, and/or invoices.
Defense Procurement Payment System (DPPS)	The DPPS initiative will become the standard DoD procurement payment system used to calculate contract and vendor payments, grants, and other agreement entitlements.
International Merchant Purchase Authorization Card (IMPAC)	IMPAC is a DoD initiative to streamline the acquisition process for procuring commercial goods and services, and save costs for processing commercial invoices. The program is aimed at improving business practices for use of the government purchase card in the areas of micro-purchases, as a payment vehicle for purchases over the micro-purchase threshold, and as a method for accomplishing inter- and intradepartmental transfers and sales.
Integrated Paying and Collection System (IPC)	IPC is an on-line system, with batch processing capabilities, designed to automate disbursing accountability and payment functions related to payments for military and civilian personnel with commercial vendors, and processing collections.
Standard Automated Material Management System (SAMMS)	SAMMS is the interim migratory system supporting the wholesale supply management business area of the DLA support command for major hardware supply centers/inventory control points.
Contract Management Analysis System (CMAS-II)	CMAS-II tracks and manages contracting activities that are on-going for the OUSD (A&T) staff.
Disbursing Office Processing System (DOPS)	The Disbursing Office Processing System (DOPS) initiative supports field-level finance operations at locations worldwide.

Current Initiatives

continued

Initiative	Objectives
Integrated Automated Travel System (IATS)	IATS will provide accurate and timely travel entitlement calculations and payments.
Defense Transportation Payment System (DTRS)	DTRS was designated as a migratory system for standardizing and consolidating all DoD transportation payments at the DFAS Indianapolis Center.
PerDiemAzing	PerDiemAzing will automate the travel process and related accounting functions for DISA.
Defense Travel System (DTS)	The Defense Travel System (DTS) reengineering initiative is an outgrowth of the National Performance Review (NPR) initiative to streamline government operations. The Department of Defense (DoD) identified this functional area as in need of reengineering and developed a new concept for temporary duty (TDY) travel.
Travel Pay Business Process Reengineering (BPR)	Travel Pay BPR is a reengineering study mandated by the USD(C) to evaluate the entire travel pay process.

Architecture

As shown in Figure IV.3 on the following page, a series of interim consolidation efforts will reduce 16 existing contract and vendor payment systems to eight systems. These eight will then be migrated to Defense Procurement Payment System (DPPS).

The DPPS system design extracts data from various databases and uses EC/EDI transactions and electronic document management techniques and source data entry applications.

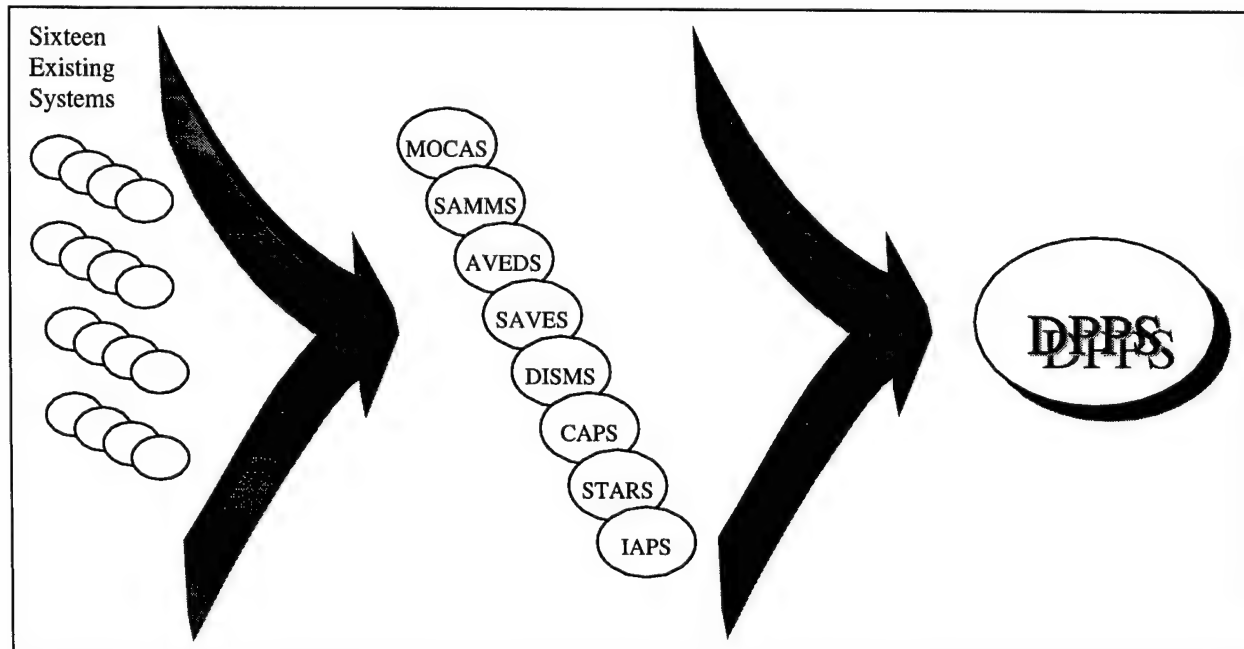


Figure IV.3 Accounts Payable System Migration

CORE REQUIREMENT – PAYROLL: MILITARY, CIVILIAN, RETIREE AND ANNUITANT

Description Although some employees are reimbursed on an hourly basis, the majority of military and civilian personnel are yearly, salaried personnel. Civilian personnel submit time and attendance information for each pay period. For organizations working in a cost accounting environment, time and attendance information feeds into the payroll systems. This information is also used to determine leave days.

The payroll function includes payroll payments, government withholdings, leave computation, and submission of accounting data for both active and retired military and civilian personnel.

Current Status The Department has significantly improved the system architecture and organizational infrastructure related to payroll in recent years. The focus for these improvements included system consolidation which:

- replaced 26 civilian payroll systems with one system (Defense Civilian Pay System (DCPS))
- replaced 22 military payroll system with two systems (Defense Joint Military Pay System (DJMS) and the Marine Corps Total Force System (MCTFS))
- designated operating locations by function for military pay and civilian pay

The system consolidation efforts have eliminated unneeded and redundant systems, but some processes may still require reengineering.

Strategies After the successful system consolidation efforts, the Department will focus on improving processes and operations. The supporting strategies for the next phase of improvements demonstrate the change in focus:

- use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as EDI and EFT)
 - strengthen the partnership between the core financial management and the program financial management communities
 - implement a “single entry” structure that requires data entry for business data elements once (in feeder, finance, or accounting system), provides the necessary data elements to all stakeholders within the Department, and tracks transactions from the source to the financial statements
-

Objectives

To further improve payroll operations, the Department intends to integrate military personnel and military pay feeder functions into a seamless support structure, the Defense Integrated Military Human Resources System (DIMHRS). Both military payroll systems will then become a part of the OUSD (Personnel and Readiness (P&R)) integrated personnel and pay.

Outsourcing of the civilian payroll function is an option the Department is analyzing via an A-76 study. If the study determines that government operation of civilian pay is more cost beneficial, efforts will continue to increase the servicing ratio from one personnel specialist for every 88 customers (achieved in 1998), to one personnel specialist for every one hundred employees (scheduled by 2003).

Current Initiatives

The Department currently has multiple initiatives to improve the Payroll function.

Initiative	Objectives
Defense Joint Military Pay System (DJMS)	The Department is completing the military pay system consolidation for DJMS active component and reserve component. This results in two military pay systems.
Marine Corps Total Force System (MCTFS)	MCTFS is the Marine Corps Service members complete payroll system encompassing pay, entitlements, withholdings, leave, and other deductions.
Defense Civilian Payment System (DCPS)	DCPS will provide the Department with a standard and fully automated civilian payroll system that will improve productivity, reduce support costs, and provide standard data to interfacing accounting and civilian personnel data systems.
Defense Civilian Personnel Data System (DCPDS)	The Defense Civilian Personnel Data System (DCPDS) Modernization Program is an aggressive, multi-year, incremental program to establish a single civilian personnel information system.
Defense Integrated Military Human Resources System (DIMHRS)	DIMHRS is an initiative to define the requirements for a standard military personnel management and pay system for all organizations of the Military Departments.

The personnel community improvement efforts include development of the Defense Civilian Personnel Data System (DCPDS), designed to support the "single entry" system regarding personnel data. The Department is integrating data between DCPDS and DCPS.

MCTFS is used during peacetime, wartime, and in times of crisis. It supports worldwide deployments and contingencies, and provides for a seamless mobilization of Reserves--both individual and unit. To accommodate this singular system, which has the ability to support all the Marines from their initial enlistment through their final discharge, MCTFS consolidated elements of the Marine Corps' Joint Uniform Military Pay System (JUMPS), Manpower Management System, and the Reserve Manpower Management Pay System. However, MCTFS must continually undergo transformation to accommodate legislative changes and enhancements to stay abreast of technological advancements.

Future Initiatives

The OUSD(P&R) established a program management office for the combination of military payroll and personnel functions. Future reports will include more detailed information regarding efforts to combine these functions. The combination supports the strategy for strengthening the partnership between DoD communities and "single-entry" for financial management data.

The outsourcing study determines the privatization or government improvement for civilian payroll. Future initiatives will depend on the results of the study.

Milestones

The Department has major milestones for improving payroll functions and systems.

Action	Date
Enhance civilian payroll system software	February 1999
Merge military payroll system (DJMS-RC and DJMS-AC)	December 2000
Consolidate military payroll and personnel	October 2002

Architecture

Figure IV.4 on the following page, shows the consolidation of personnel and finance actions completed with one system, the Defense Integrated Human Resource System (DIMHRS). The combination of functions eliminates the need for separate military payroll and personnel systems.

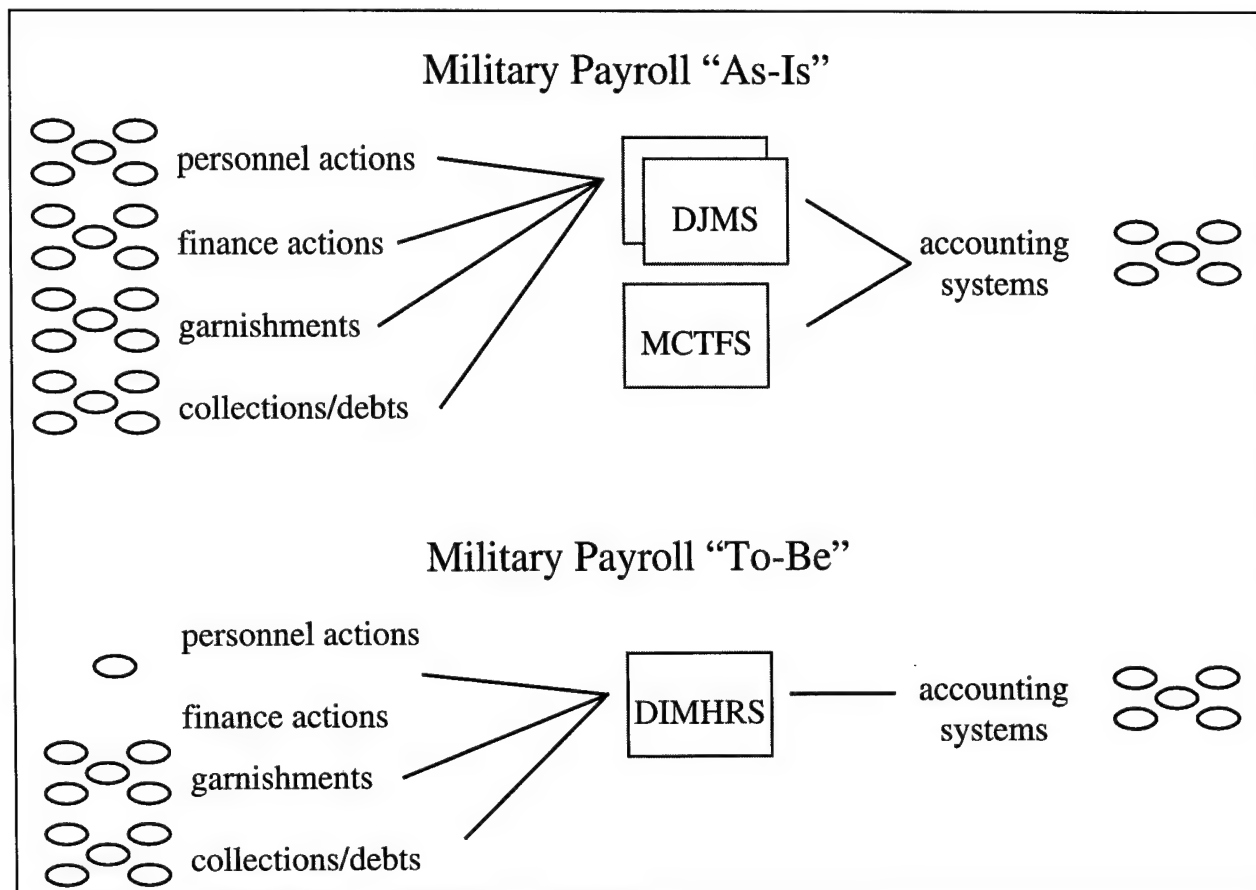


Figure IV.4 Military Pay System Migration

CORE REQUIREMENT - PROPERTY ACCOUNTING

Description	<p>Real and personal property comprise approximately 59 percent of the Department's financial statements. Because of the high proportion of real and personal property to overall assets, material weaknesses in this area impact the fair presentation of the financial statements for the Department.</p>
Current Status	<p>Existing accounting systems were not designed to satisfy the asset, liability, and equity accounting data required for financial reporting purposes. Accordingly, when the need for such data arose, the financial systems depended on functional activities and their property accountability systems, rather than financial systems, to furnish required data. Consequently, the Department's financial statements are compiled using property management systems that were not designed or intended for financial reporting.</p> <p>These management systems serve non-financial managers well but were not designed to identify and retain key financial data required to produce auditable financial statements (e.g., acquisition costs versus standard prices), capitalization thresholds, asset modification or overhauls and repair costs, and in-house project investment. In addition, the accounting systems do not produce account-oriented transaction files or subsidiary ledgers and the acquisition cost of many assets cannot be verified because of system problems and document retention practices. As a result, the auditors maintain that they are unable to verify account balances.</p> <p>Samples of deficiencies in current property accountability systems include the inability to report properly:</p> <ul style="list-style-type: none">• government property in the possession of contractors• unit and installation property• wholesale assets• equipment awaiting repair
Strategies	<p>To remedy these and other deficiencies, the Department has selected, and is deploying Department-wide, an integrated property system, the Defense Property Accountability System (DPAS). The DPAS provides for financial control over real and personal property and is expected to replace over 150 separate property systems in DoD organizations.</p>

Current Initiatives

The Department has multiple initiatives to improve the Property Accounting function.

Initiative	Objective
Defense Property Accountability System (DPAS)	Replace existing real and personal property systems.
Depot Maintenance/Air Force Aviation Depots	The Depot Maintenance Air Force Aviation Depots (DMMIS) was rejected as the interim migratory system for the Depot Maintenance Activity Group (DMAG), Air Force. DFAS-HQ is currently working with Air Force personnel to finalize selection of another system.
Standard Army Procurement Appropriation System (SAPAS)	The Standard Army Procurement Appropriation System (SAPAS) supports field-level accounting and financial reporting on the execution of customers general funds and operations

Milestones

The Department has major milestones for improving the Property Accounting function.

Action	Date
Complete fielding of the DoD-wide property accountability system	September 2000
Complete interface/integration requirements with other systems	September 2001
Begin first complete fiscal year with the standard DoD-wide system that integrates property accountability with financial accounting records and reports	October 2001

CORE REQUIREMENT - INVENTORY ACCOUNTING

Description Inventories comprise approximately 75 percent of total assets of the Department's Working Capital Funds (WCF). Because of the high proportion of inventory to overall assets, material weaknesses in inventory impact the fair presentation of the financial statements for the Department's WCFs.

Current Status Accounting standards require inventory to be reported at historical cost or latest acquisition cost. The Department's inventory systems value inventory at standard (selling) price. Accordingly, inventory value amounts presented on auditable financial statements must be calculated prior to their inclusion in auditable financial statements. Additionally, inventory valuation and account classification problems exist in the Department's inventory accounts. As a result, the auditors maintain that they are unable to independently verify reported inventory account balances.

Strategies The Department is taking aggressive action to remedy procedural, systemic, and knowledge deficiencies. The Military Department's audit services are working with the Directorate of Accounting policy, DoD Deputy Chief Financial Officer to review the financial information provided by the applicable Military Department's logistics systems. They are determining the ability to generate data needed to properly account for inventory in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, "Accounting for Inventory and Related Property."

Current Initiatives The Department has multiple initiatives to improve the Inventory Accounting Function.

Initiative	Objective
Accounting and Inventory Management System (AIMS)	AIMS edits information from store systems, processes receipts, issues, and adjustments and maintains line item inventory by store.
Management of Network Income, Expense, and Services (MONIES)	MONIES will integrate the data associated with service order entry, inventory, and billing. Seven legacy systems will be terminated as a result of MONIES.

Current Initiatives

continued

Initiative	Objective
Consolidated Acquisition Reporting System (CARS)	CARS is a windows based data entry and reporting software package that maintains and reports on defense acquisition programs.

Milestones

The Department has major milestones for improving the Inventory Accounting function:

Action	Date
Complete Review of the financial data for the Army and the Navy and supporting DFAS Centers	Completed
Conduct training on the requirements of accounting for inventory for the Air Force and supporting DFAS Center	Completed
Complete review of the Air Force financial data	Completed
Evaluate the results of the reviews of the Military Departments' inventory accounting processes	Completed
Implement approved changes from the reviews of the Military Departments' inventory accounting processes	December 1999
Implement general corrective actions	September 2001

CORE REQUIREMENT - GENERAL LEDGER

Description The Department uses general accounting for appropriated funding organizations. The general accounting tracks the effects of events by summarizing information into the standard general ledger (SGL) accounts from transaction driven events. The SGL uses a standard data format to read the data. The results of the financial events post through the core accounting systems. This function ensures that all events are recorded accurately and by consistent definitions. The results of all financial events must be reported in trial balances and reported in DoD financial statements.

Current Status DoD finance and accounting systems lack a single, standard, transaction-driven general ledger, an essential ingredient for sound reliable financial reports. Additionally, financial transactions do not always have a clear audit trail from the general ledger to the source data due to inadequate systems and manual entries.

Certain future liabilities of the Department have not been accurately assessed. Specifically, these future liabilities include the cost of post-retirement health benefits for military employees, environmental clean up, and disposal of assets. Determining the future cost of these liabilities through the use of current costs, not budget obligations, is necessary to provide accurate estimates.

Strategies The following are strategies for improving the accounting process, data, and systems interfaces:

- use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as electronic data interchange and electronic funds transfer)
- improve accountability by ensuring that management controls are integrated into day-to-day operations
- develop standard data elements within the Department and coordinate with other federal agencies to facilitate government-wide standards
- maintain oversight structure to ensure the involvement of the Department's senior leaders in the financial reform process
- strengthen the partnership between the Department and other federal agencies
- strengthen the partnership between the core financial management and the program financial management communities
- provide financial management training to enhance the performance and quality and improve efficiency

- provide policies and procedures that are clear, simple, direct, and thorough and that ensure compliance with existing laws and regulations
- provide information that is accurate and timely to internal and external stakeholders
- safeguard information and resources against fraud, waste, abuse, and mismanagement through adequate internal controls
- eliminate unnecessary systems and consolidate finance and accounting functions to a select set of migration systems
- ensure systems comply with statutory, regulatory, and audit requirements
- employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes
- ensure Y2K compliance
- implement "single entry" structure that requires data entry for business data elements once (in feeder, finance, or accounting system), provides the necessary data elements to all stakeholders within the Department, and tracks transactions from the source to the financial statements

Current Initiatives

The Department is focusing on standardizing the existing accounting systems, correcting the feeder and accounting interfaces, and properly accounting for assets and liabilities for the General Ledger function.

Initiative	Objectives
Defense Joint Accounting System (DJAS)	DJAS supports Defense Agencies supported by the DFAS Indianapolis Center, Army general fund accounting, Army transportation, and field level accounting for the Defense Security Assistance Agency.
Standard Accounting and Reporting System (STARS)	STARS will be the migratory accounting system to which the U.S. Navy will consolidate all general fund accounting, commercial entitlement, and reporting operations.
Standard Operations and Maintenance, the Army Research Development System (SOMARDS)	SOMARDS is the legacy general fund accounting system for all appropriations other than the Army Working Capital Fund (AWCF) and Foreign Military Sales (FMS) Trust Fund. DJAS will replace SOMARDS.

Current Initiatives

continued

Initiative	Objectives
General Accounting and Finance System Reengineering (GAFS-R)	GAFS provides general funds accounting support to the Air Force and selected DoD agencies. GAFS does not currently contain a transaction-driven general ledger.
Standard Accounting, Budgeting, and Reporting System (SABRS)	SABRS supports Marine Corps general accounting. The system initiative focuses on compliancy with all Key Accounting Requirements (KAR) and generating auditable financial statements.
General Accounting and Reporting System (GAC)	GAC is a comprehensive financial management system for the management of Defense Intelligence Agency (DIA) and National Security Agency (NSA) resources. GAC provides control of all appropriated and other funds, automatically creates financial and business events, and posts those events to the appropriate general ledger account.
Defense Departmental Reporting System (DDRS)	DDRS is a DFAS migration financial management system to support DoD appropriation level control, line item control, financial reporting, and financial analysis.
Centralized Accounting and Financial Resource Management System (CAFRMS)	The CAFRMS supports agency and field-level accounting and financial reporting on execution of general funds in support of nuclear weapons matters.
Mechanization of Contract Administration Services (MOCAS)	The Mechanization of Contract Administration Services (MOCAS) is an automated system used in the administration and payment of supply and service contracts.

Architecture

To support the general accounting function, the Department is transitioning to the following systems:

- Defense Joint Accounting System (DJAS)
- Standard Accounting and Reporting System (STARS)
- General Accounting & Finance System (GAFS)
- Standard Accounting, Budgeting and Reporting System (SABRS)
- NSA's General Accounting and Reporting System (GAC)

The available “as-is” and the “to-be” data flows and systems are described on the following pages.

SABRS

SABRS migrates to a single accounting system all the Marine Corps appropriations and eliminates five legacy systems. The current data and system flows are illustrated in Figure IV.5.

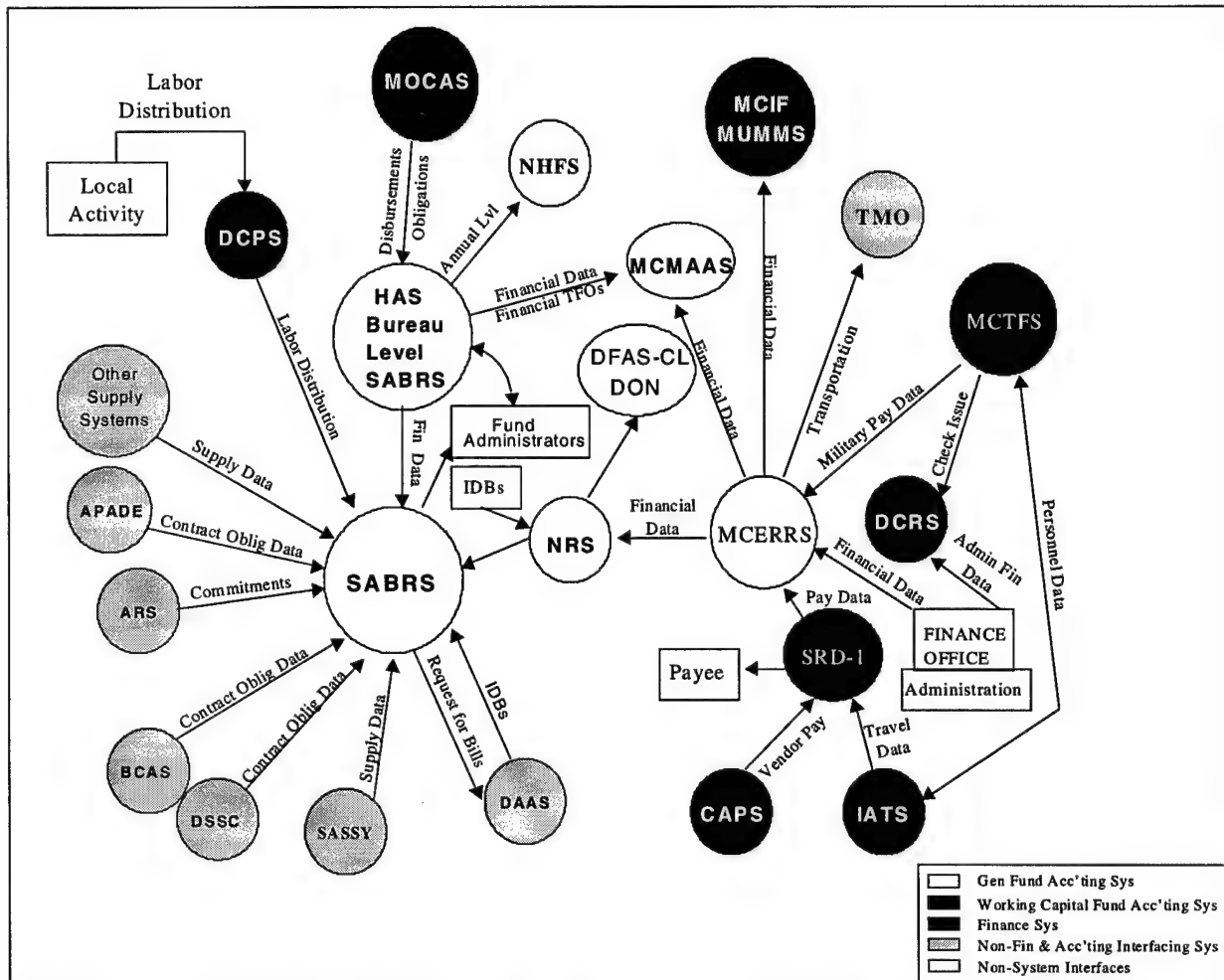


Figure IV.5 The Marine Corps "As-Is" General Fund Data and System Flows

As illustrated in figure IV.6, the Marine Corps will replace five systems with SABRS.

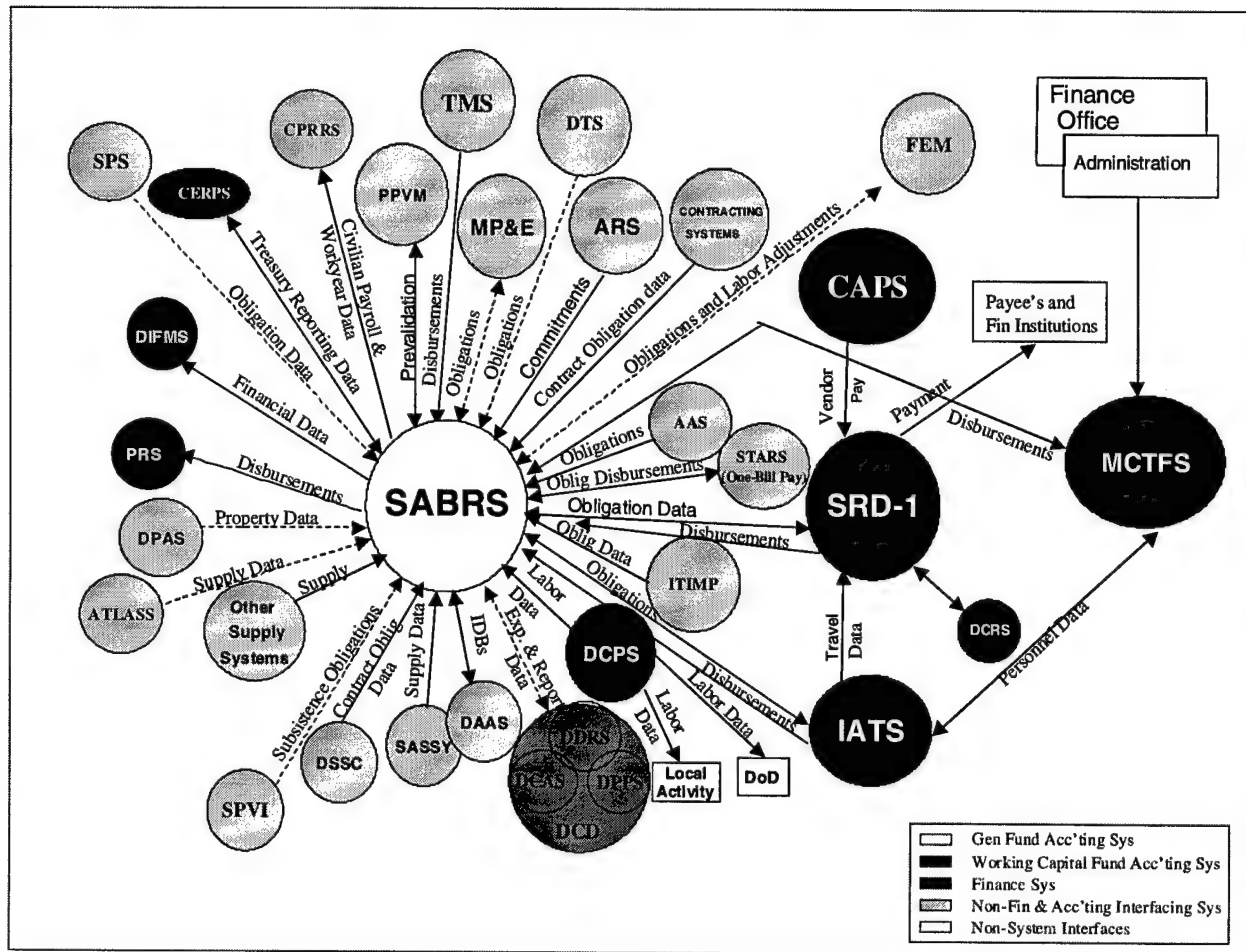


Figure IV.6 SABRS "To-Be" Data and System Flows

DJAS

The Defense Joint Accounting System (DJAS), formerly known as the Corps of Engineers Financial Management System (CFEMS), will consist of the data and system flows illustrated in Figure IV.7.

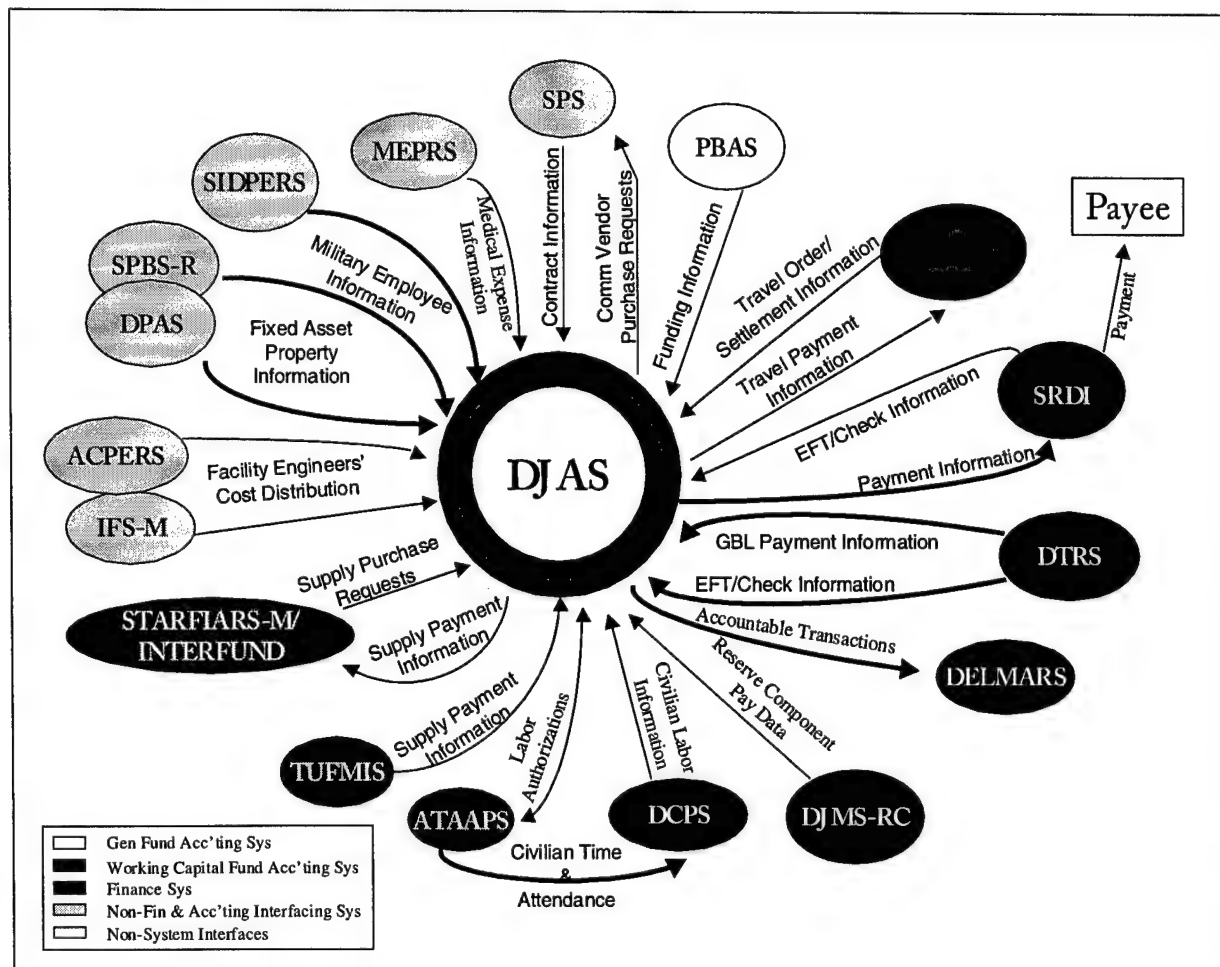


Figure IV.7 DJAS "To-Be" Data and System Flows

CORE REQUIREMENT - FUNDS CONTROL

Description	Funds distribution and reprogramming (i.e. program, budget authority, and treasury funds) are important areas of concern for the Department. Preventing the over-distribution of funds and placing controls on redistribution are fundamental basics in the budgetary execution process.						
Current Status	The Army, Corps of Engineers, the Navy and OSD currently use the Program Budget Accounting System-Funds Distribution (PBAS-FD) migratory system for funds control oversight. The Department's other organizations use a variety of methods, processes, and systems.						
Strategies	<p>The following are strategies focus on improving operations for the Funds Control function:</p> <ul style="list-style-type: none"> • use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as EDI and EFT) • provide information that is accurate and timely to internal and external stakeholders • ensure systems comply with statutory, regulatory, and audit requirements • employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes 						
Current Initiatives	<p>The Department has multiple initiatives to improve the Funds Control function.</p> <table border="1"> <thead> <tr> <th>Initiative</th><th>Objective</th></tr> </thead> <tbody> <tr> <td>Program Budget Accounting System-Funds Distribution (PBAS-FD)</td><td>To prevent the over-distribution of funding and control reprogramming based on limits established by the Congress.</td></tr> <tr> <td>Funds Control Information System (FunCIS)</td><td>FunCIS is a classified information system that tracks RDT&E program elements and procurement line items from the POM phase of the PPBS through the obligation life of appropriated funds.</td></tr> </tbody> </table>	Initiative	Objective	Program Budget Accounting System-Funds Distribution (PBAS-FD)	To prevent the over-distribution of funding and control reprogramming based on limits established by the Congress.	Funds Control Information System (FunCIS)	FunCIS is a classified information system that tracks RDT&E program elements and procurement line items from the POM phase of the PPBS through the obligation life of appropriated funds.
Initiative	Objective						
Program Budget Accounting System-Funds Distribution (PBAS-FD)	To prevent the over-distribution of funding and control reprogramming based on limits established by the Congress.						
Funds Control Information System (FunCIS)	FunCIS is a classified information system that tracks RDT&E program elements and procurement line items from the POM phase of the PPBS through the obligation life of appropriated funds.						

Architecture The Office of the Under Secretary of Defense Program/Budget (OUSD P/B) has requested a series of changes, including adding levels of funds distribution and providing greater capability for use of customer program coding structures.

CORE REQUIREMENT - COST ACCOUNTING

Description	<p>The Department has increased the number of Working Capital Fund (WCF) Activity Groups considerably over the last five years. These organizations operate like commercial businesses in that they sell goods and services to the Department and other organizations. WCF organizations use cost accounting systems to determine the direct, indirect, and general and administrative costs for their operations. Cost accounting collects and records costs for management to develop customer billing rates, fees, and pricing structures.</p> <p>Cost accounting information provides operational managers with relevant, internal information to support cost management initiatives (e.g. Activity/Service Based Costing, Job Order Costing, and Product Costing)</p>
Current Status	<p>WFC organizations have varying businesses, such as software development, mainframe services, ship depot maintenance, and fuel management. The varying business requirements are currently met with multiple systems.</p>
Strategies	<p>The following are strategies for cost accounting's focus on improving operations:</p> <ul style="list-style-type: none"> • use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as EDI and EFT) • support internal decision making and management controls that are non-prescriptive and flexible • capture relevant costs • provide understanding at full cost • link cost to performance • provide information that is accurate and timely to internal and external stakeholders • ensure systems comply with statutory, regulatory, and audit requirements • employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes
Current Initiatives	<p>The Department plans to maintain the following 15 business fund systems. Each system has an initiative to improve the system architecture, improve interfaces with feeder systems, and incorporate U.S. Standard General Ledger (SGL) accounting requirements.</p>

-
- Defense Industrial Financial Management System (DIFMS)
 - Base Operations Support System (BOSS)
 - Commodity Command Standard System (CCSS)
 - Defense Business Management System (DBMS)
 - Automated Billing Program (ABP)
 - Defense Integrated Subsistence Management System (DISMS)
 - Defense Working Capital Accounting System (DWAS)
 - Fuels Accounting System (FAS)
 - Financial Inventory Accounting and Billing System (FIABS)
 - Industrial Fund Accounting System (IFAS)
 - Material Financial Control System (MFCS)
 - Standard Automated Material Management System (SAMMS)
 - Standard Industrial Fund System (SIFS)
 - Standard Materiel Accounting System (SMAS)
 - Standard Financial Inventory Accounting and Reporting System (STARFIARS)
-

**Future
Initiatives**

The Department will continue to evaluate organizations for potential transition from appropriated funding to working capital funding. WCF organizations incur fewer costs and increase quality of service.

The Department will consider either standardization or further elimination for the 15 selected cost accounting systems. Cost beneficial commercial off-the-shelf (COTS) cost accounting programs that meets the organizational and regulatory requirements may replace the selected 15 cost accounting systems.

Architecture

To support the multiple types of business operating under the WCF, the Department has 15 systems. Each system has initiatives to incorporate new technology, integrate with future systems, and other related improvements. The following sections describe the “as-is” and the “to-be” data flows and systems.

DIFMS

The electronic data-sharing requirement has resulted in a great push towards unified, compatible software for standard Navy business applications. Recently, the Department selected the Defense Industrial Financial Management System (DIFMS), formerly known as NIFMS, to be the standard accounting software. The current data and system flows are illustrated in Figure IV.8.

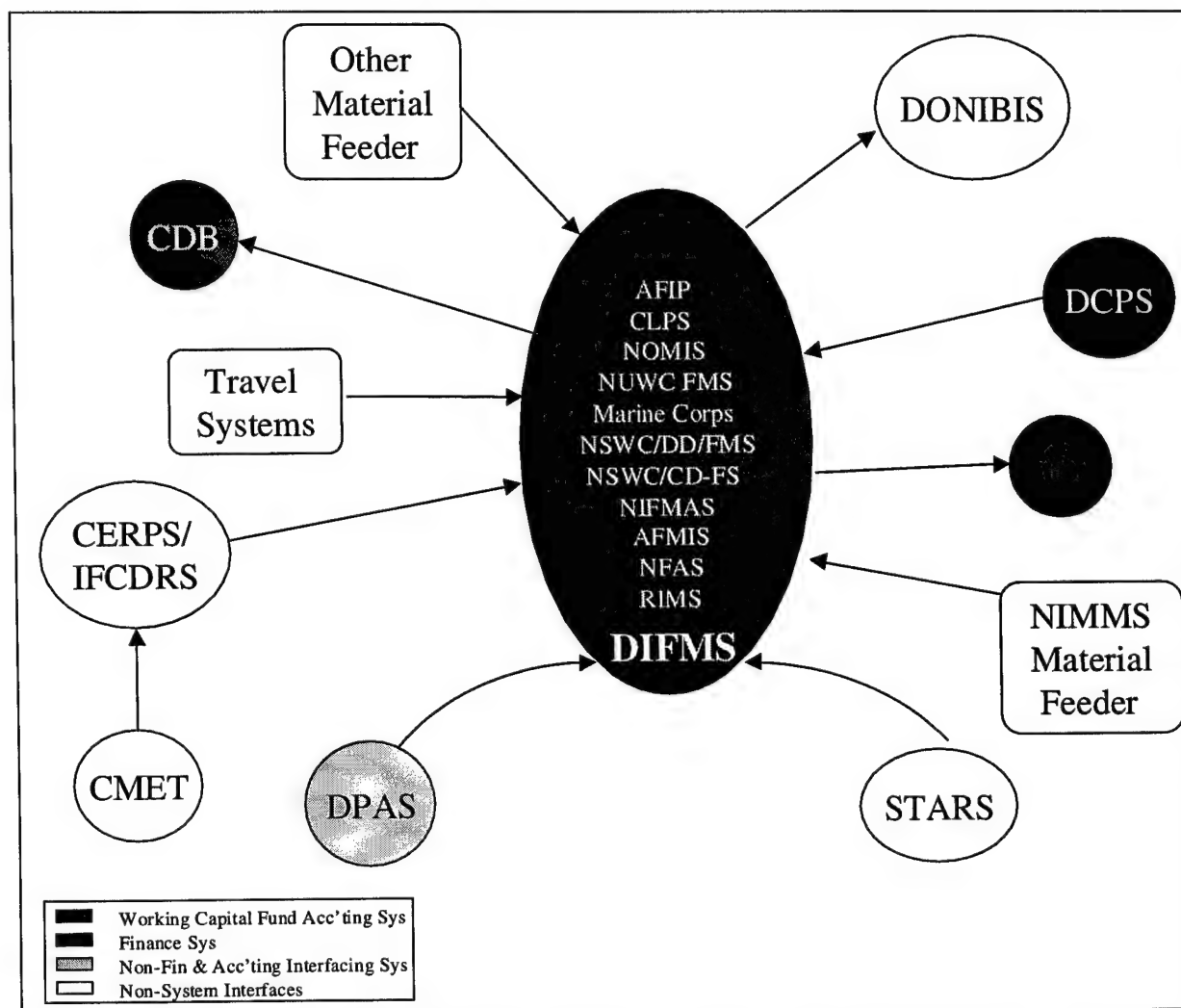


Figure IV.8 DIFMS "As-Is" Data and System Flows

The system interfaces and consolidations change the interfaces as shown in figure IV.9.

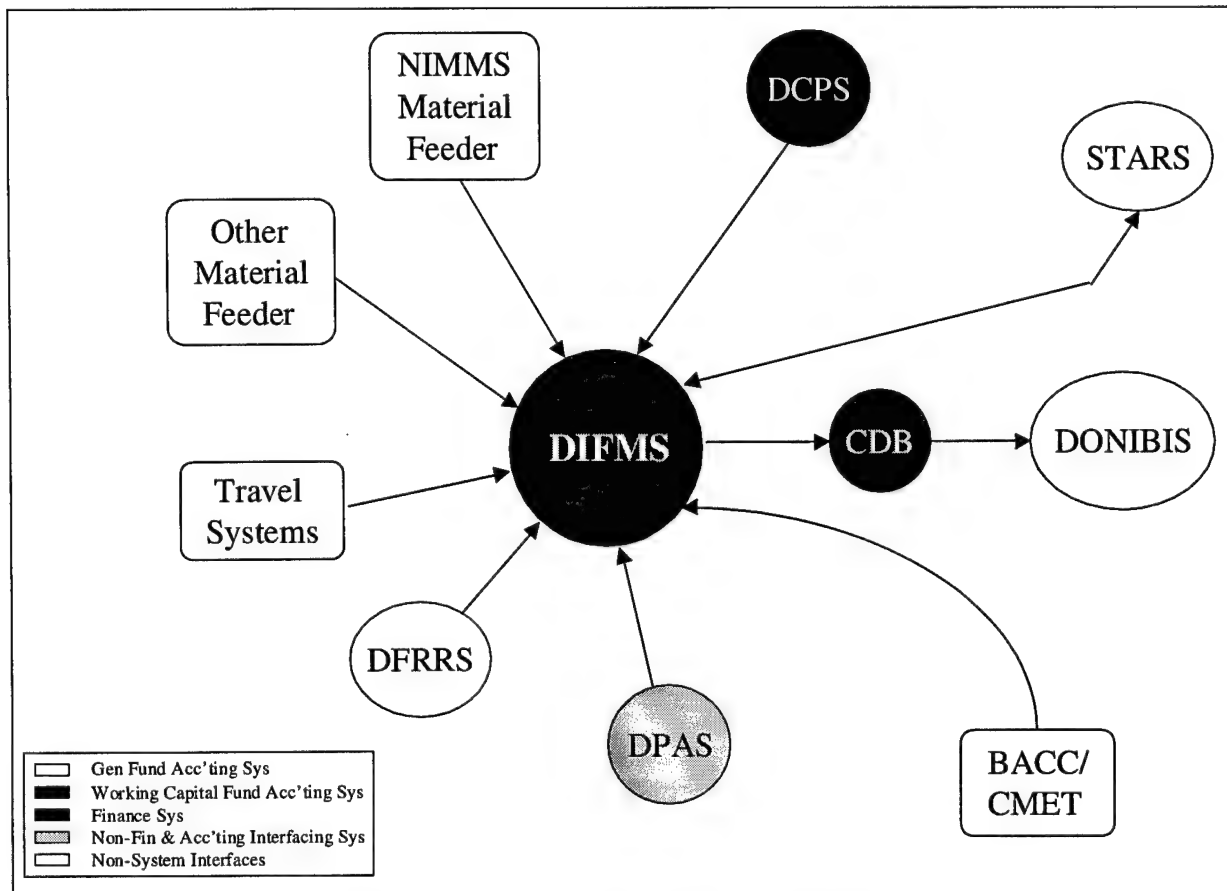


Figure IV.9 DIFMS "To-Be" Data and System Flows

BOSS

BOSS is the selected interim migratory Defense Working Capital Fund (DWCF) system supporting the DLA retail supply business area and the DFAS.

BOSS users include:

- base supply
- contracting
- finance and accounting functions in their respective installation support roles throughout the Defense Logistics Agency (DLA)
- the DoD Education Activity (DoDEA)
- the Defense Reutilization and Marketing Service (DRMS) including the DoD Hazardous Waste Program

BOSS is a real-time, interactive system used for:

- receiving
- ordering
- issuing and accounting for supplies and services

The current data and system flows are illustrated in Figure IV.10.

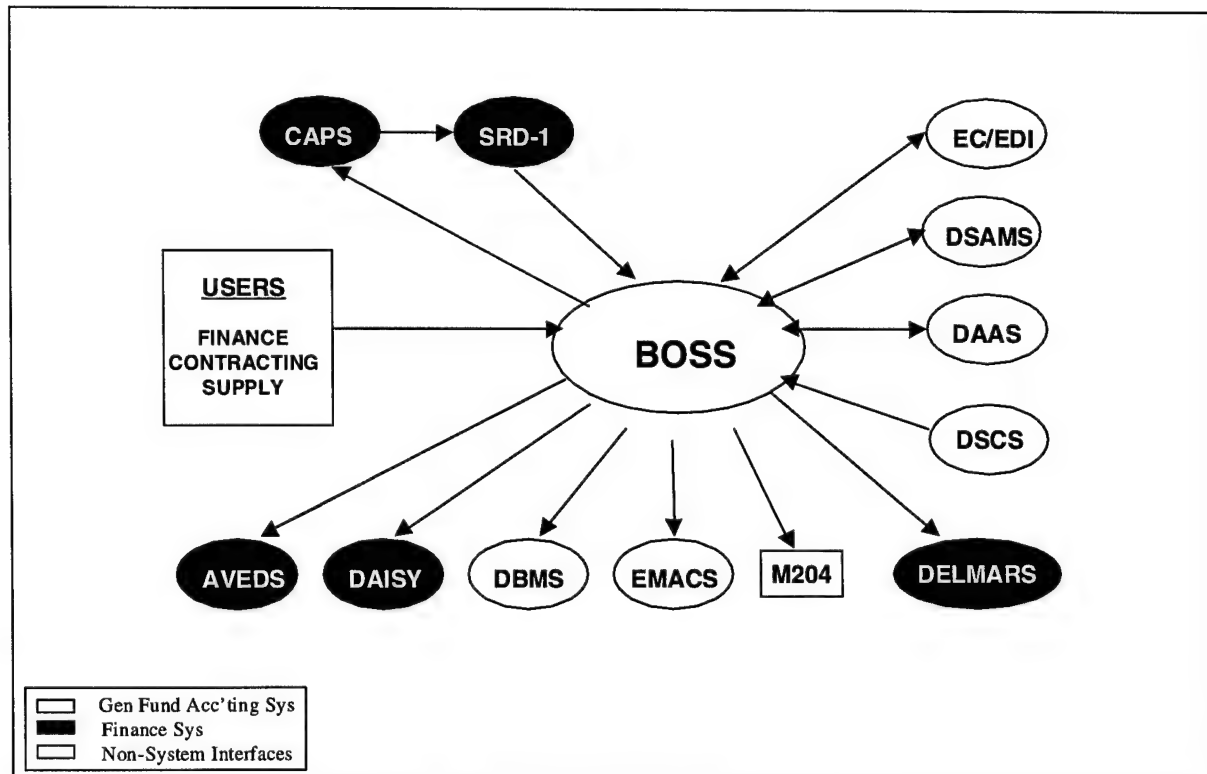


Figure IV.10 BOSS "As-Is" Data and System Flows

BOSS will interface with the corporate database (CDB) and standard data warehouse (SDW), as illustrated in Figure IV.11.

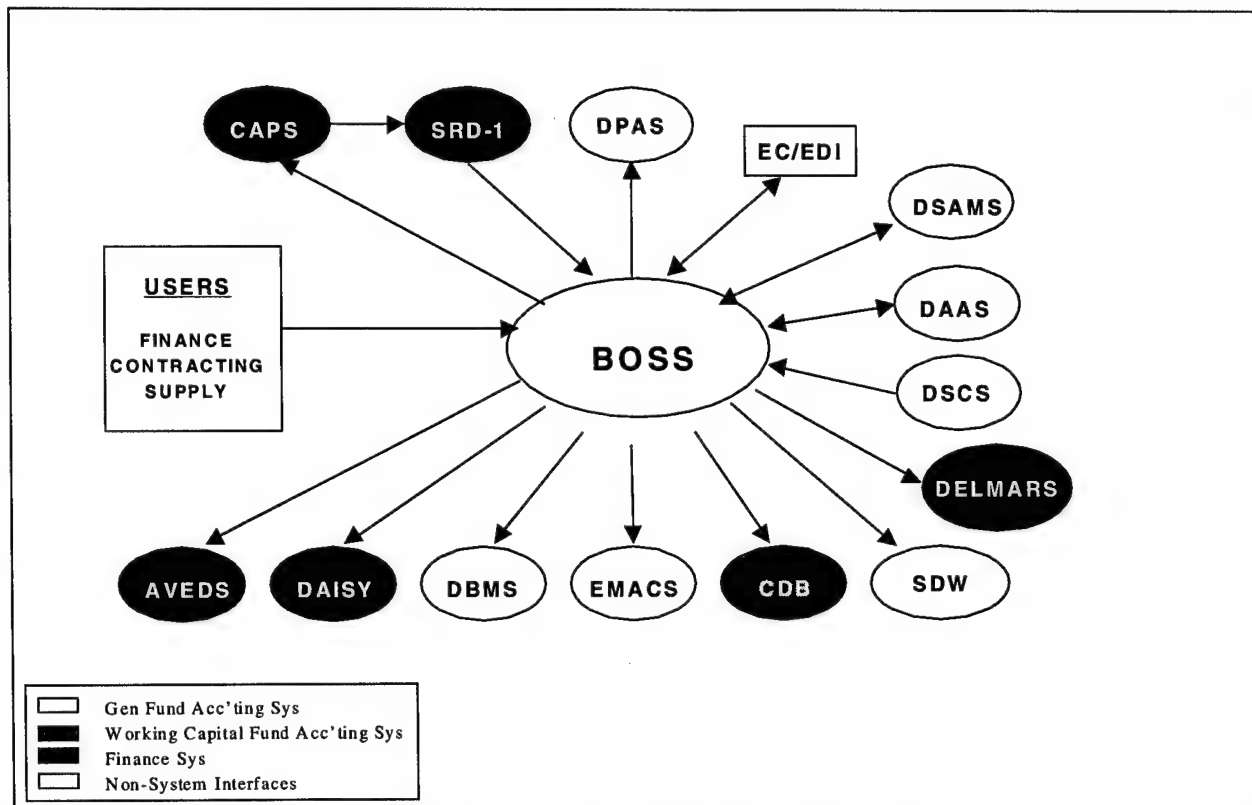


Figure IV.11 BOSS "To-Be" Data and System Flows

IFAS

The Industrial Fund Accounting System (IFAS) supports the information services business area using the illustrated data and system flows in figure IV.12.

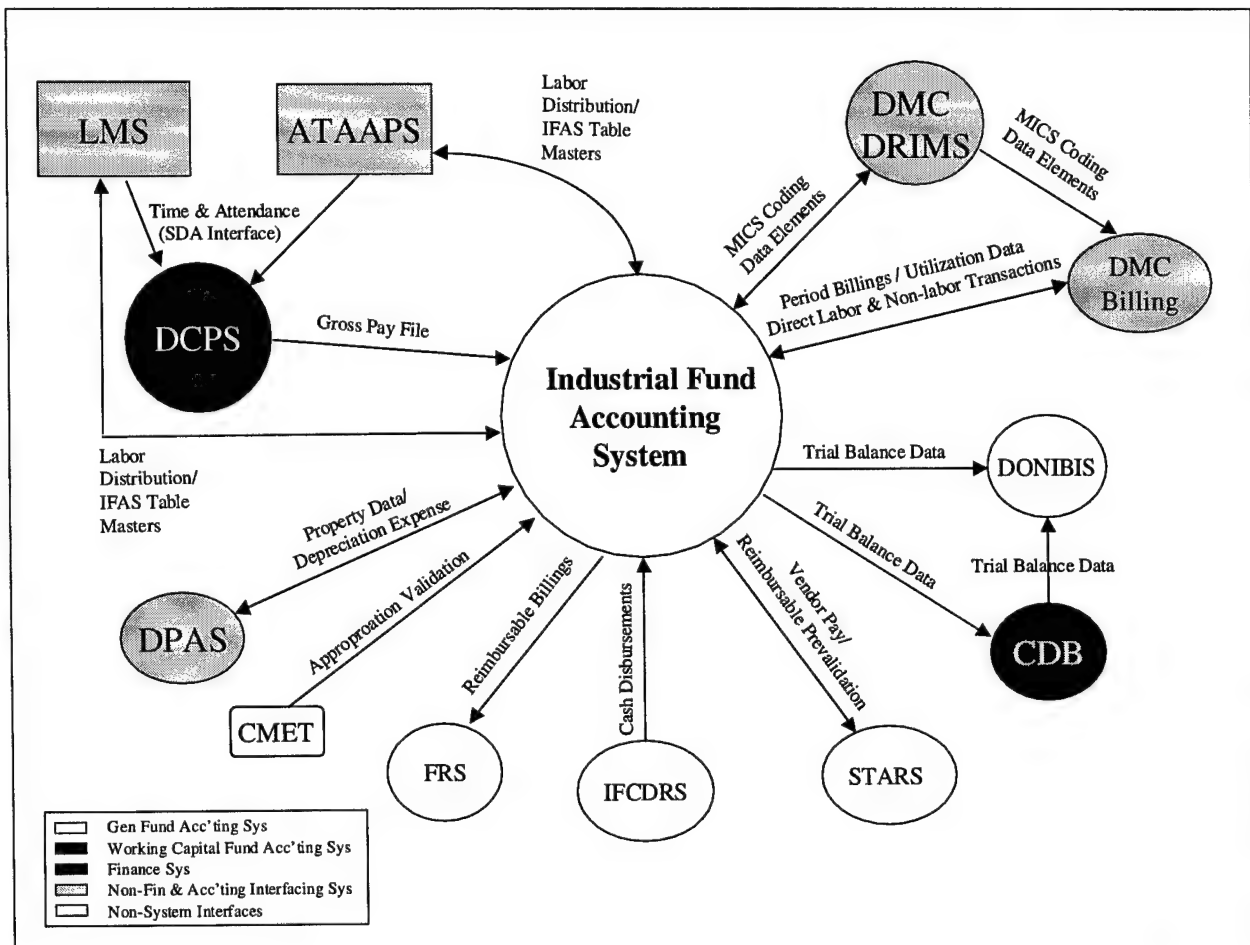


Figure IV.12 IFAS "As-Is" Data and System Flows

IFAS will use a relational database and develop additional interfaces to include DPPS, COPS, and DFRRS as shown in figure IV.13.

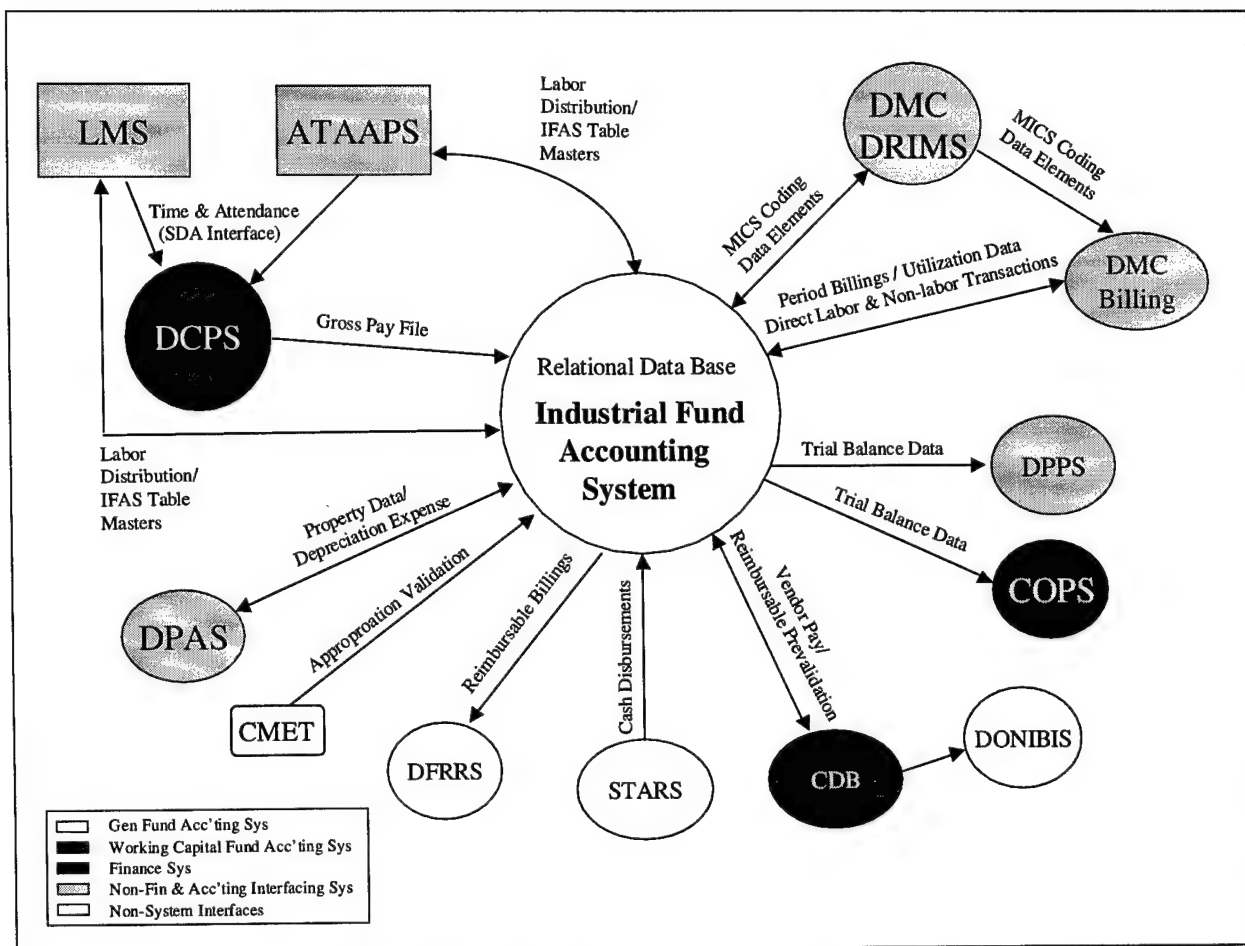


Figure IV.13 IFAS "To-Be" Data and System Flows

DBMS

The Defense Business Management System (DBMS) is the interim migratory working capital fund accounting system for:

- distribution depots
- supply management
- information services
- commissary operations
- financial operations
- reutilization, and marketing
- industrial plant equipment

DBMS serves as the migratory accounting system for DWCF in support of the following agencies:

- Defense Logistics Agency
- Defense Finance and Accounting Agency
- Defense Commissary Agency
- Air Force Material Command
- Naval Supply
- Defense Contract Audit Agency (for General Fund)

Figure IV.14 illustrates the “as-is” data and system flows.

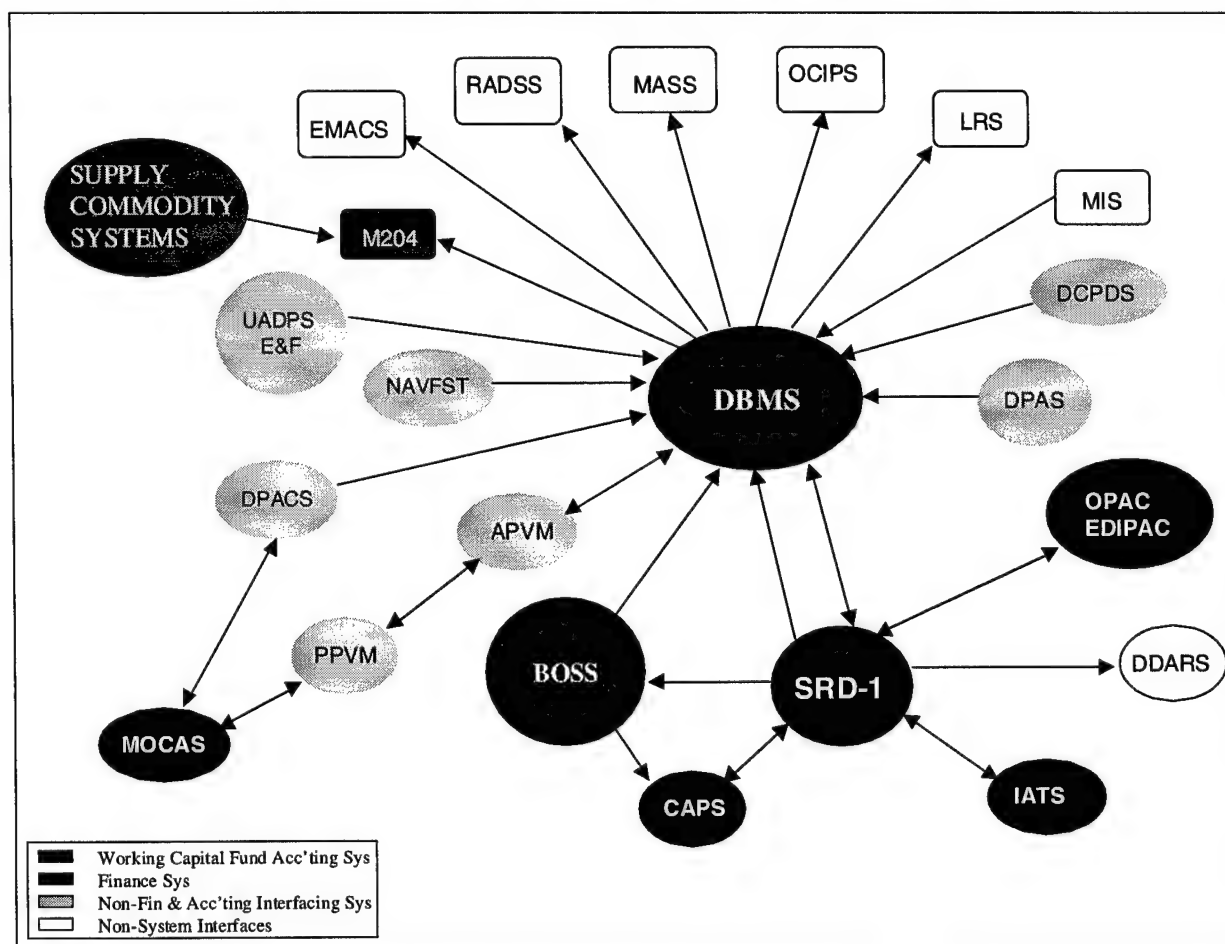


Figure IV.14 DBMS “As-Is” Data and System Flow

System integration and interfaces will change to incorporate the implementation of new systems and the elimination of accounting and finance systems as shown in figure IV.15.

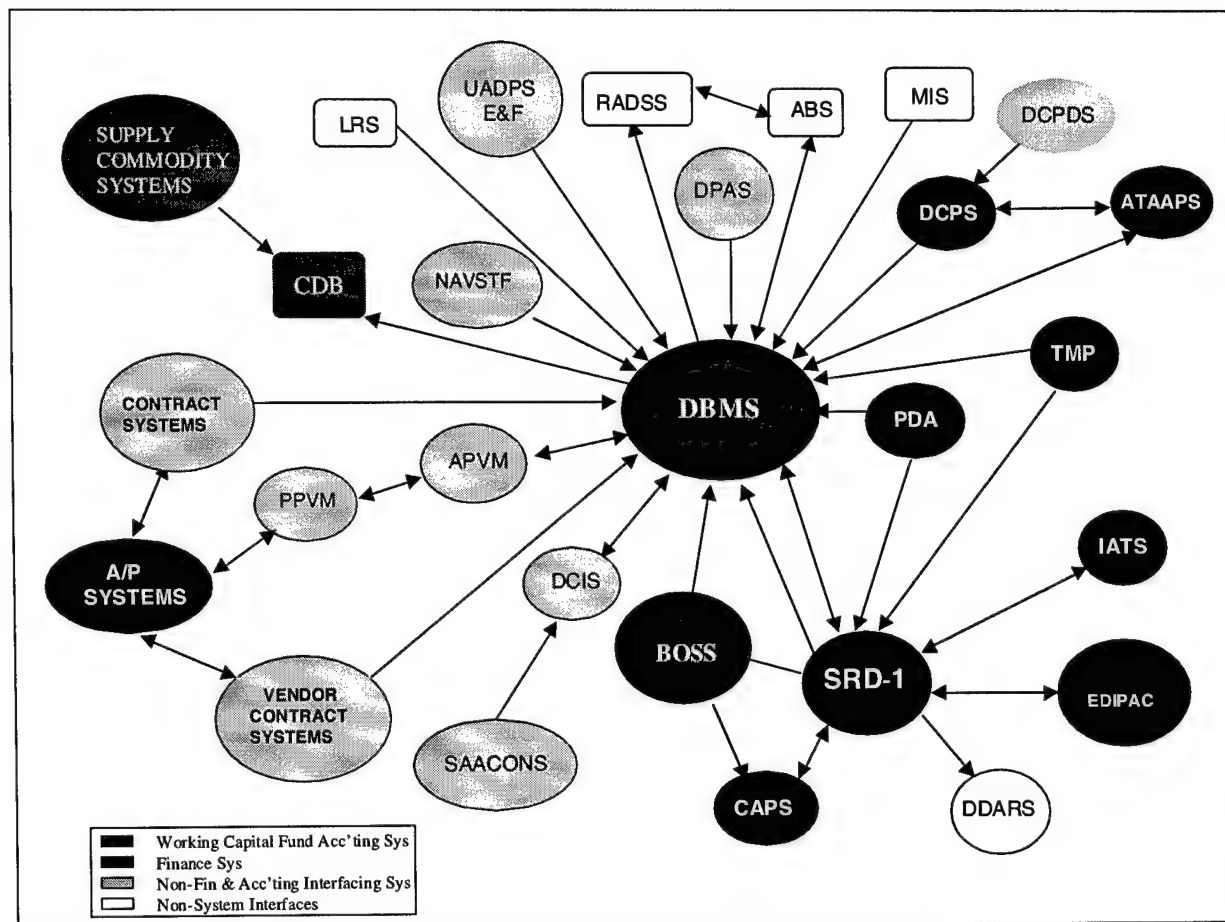


Figure IV.15 DBMS "To-Be" Data and System Flows

FIABS

The Financial Inventory Accounting and Billing System (FIABS) supports the Air Force wholesale supply using the data and system flows illustrated in Figure IV.16.

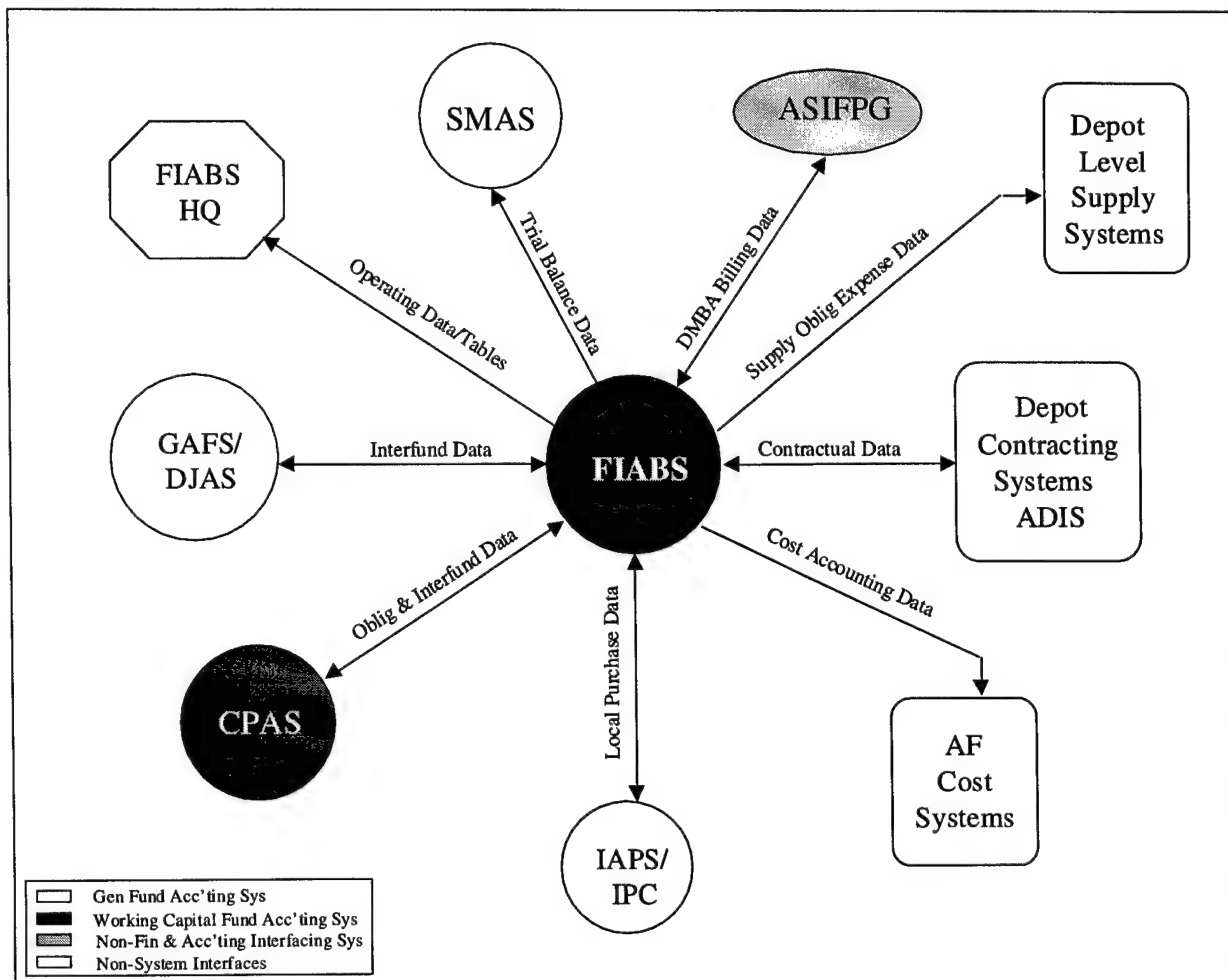


Figure IV.16 FIABS "As-Is" Data and System Flows

The system interface with FIABS will change as illustrated in figure IV.17.

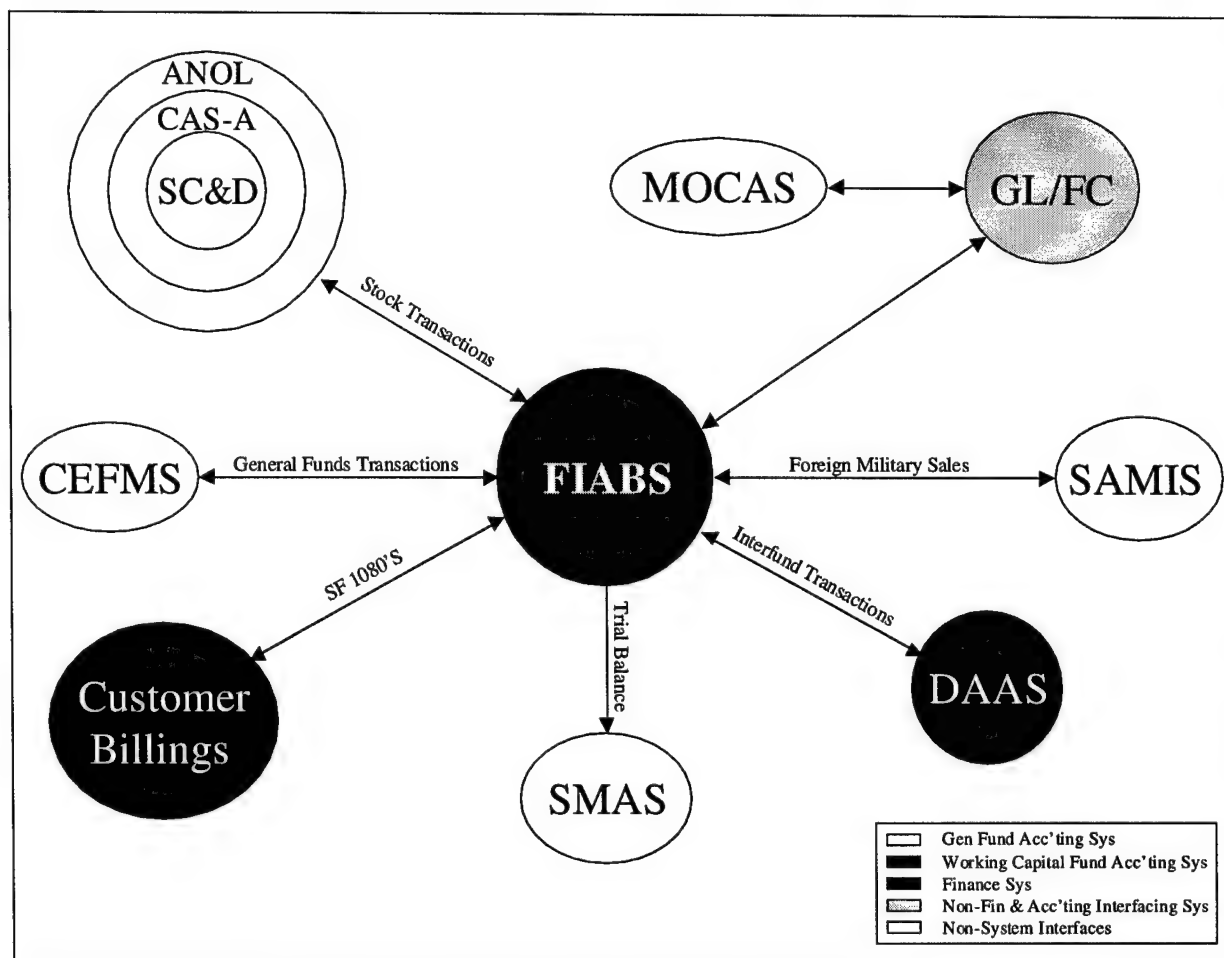


Figure IV.17 FIABS "To-Be" Data and System Flows

DISMS

As illustrated in figure IV.18, the Defense Integrated Subsistence Management System (DISMS) is the accounting system for DLA wholesale supply management subsistence.

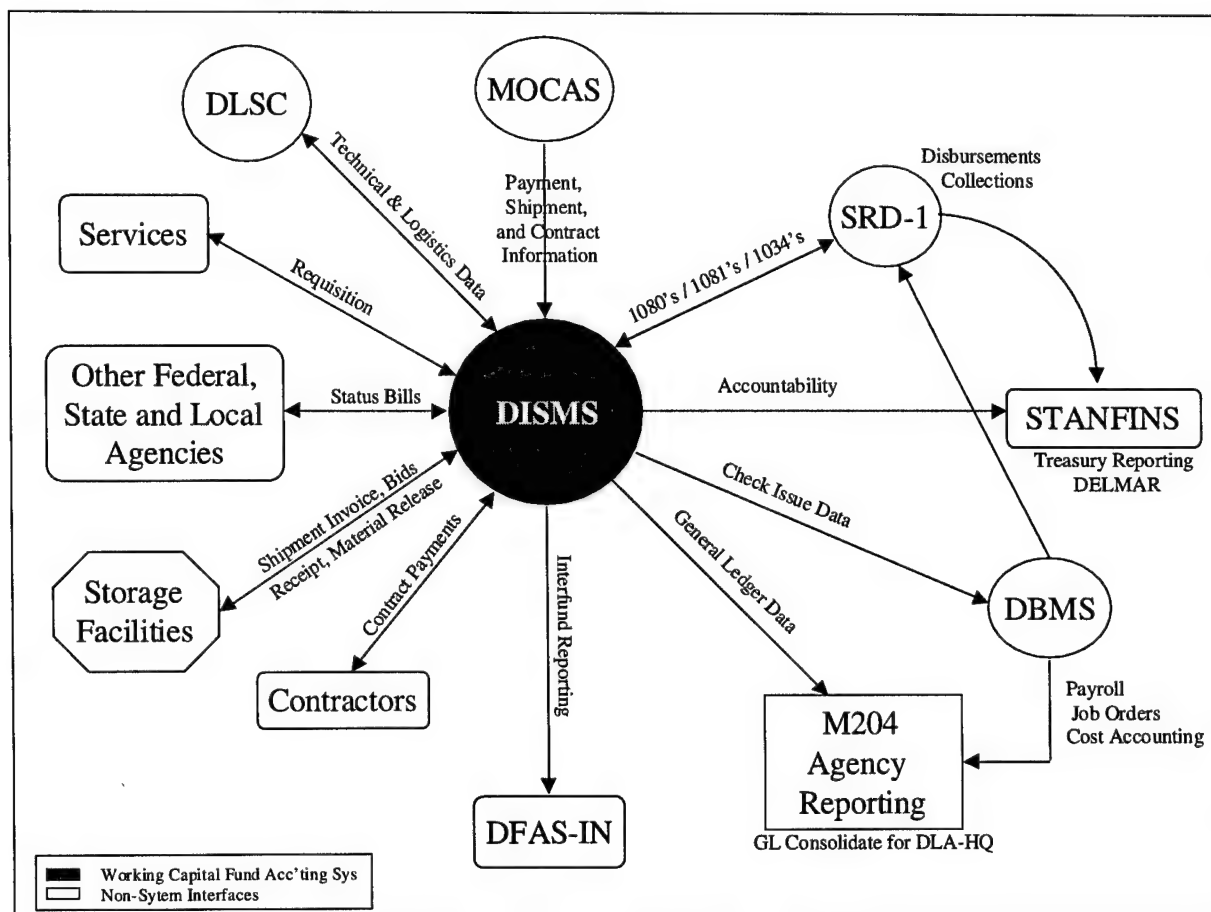


Figure IV.18 DISMS "As-Is" Data and System Flows

DISMS systems interfaces increase as illustrated in Figure IV.19.

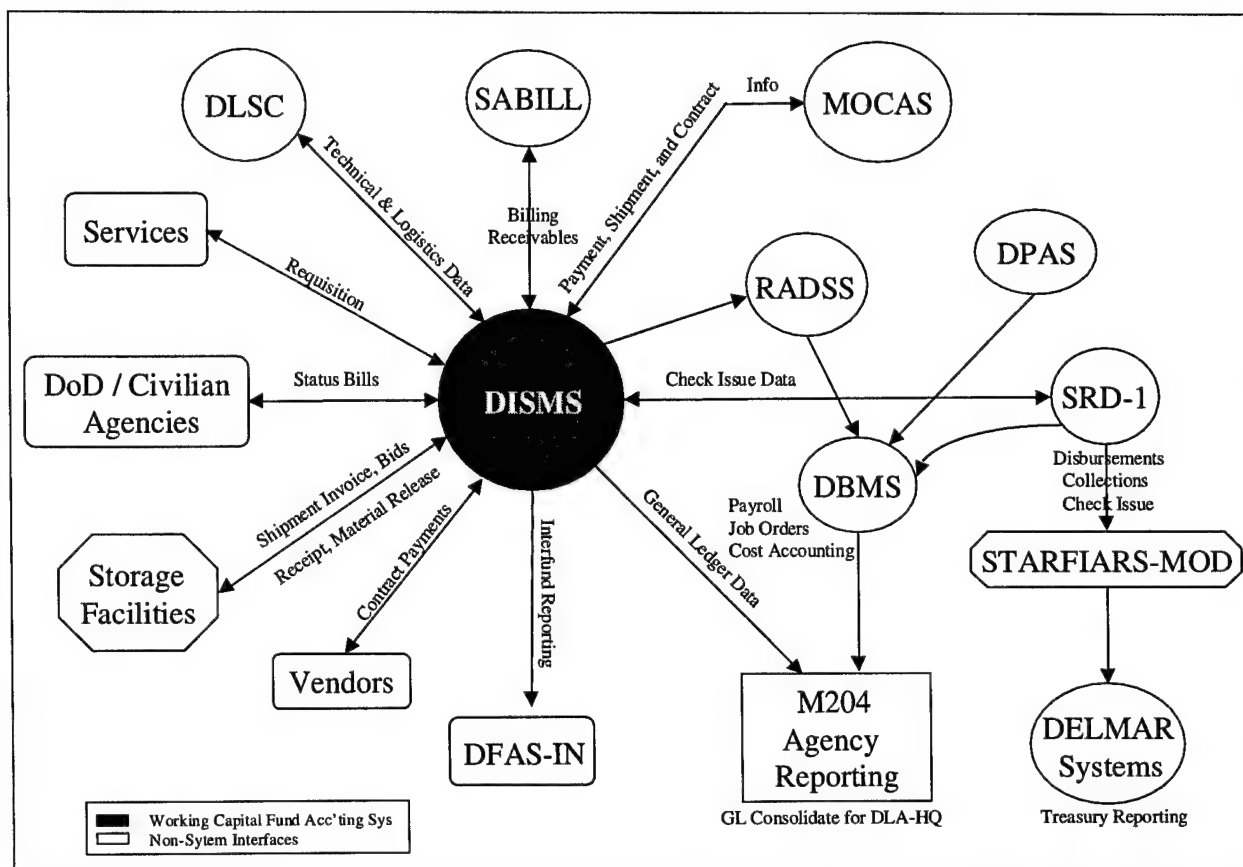


Figure IV.19 DISMS "To-Be" Data and System Flows

CCSS

The Commodity Command Standard System (CCSS) supports the Army Material Command's inventory control points using the data and system interfaces illustrated in Figure IV.20.

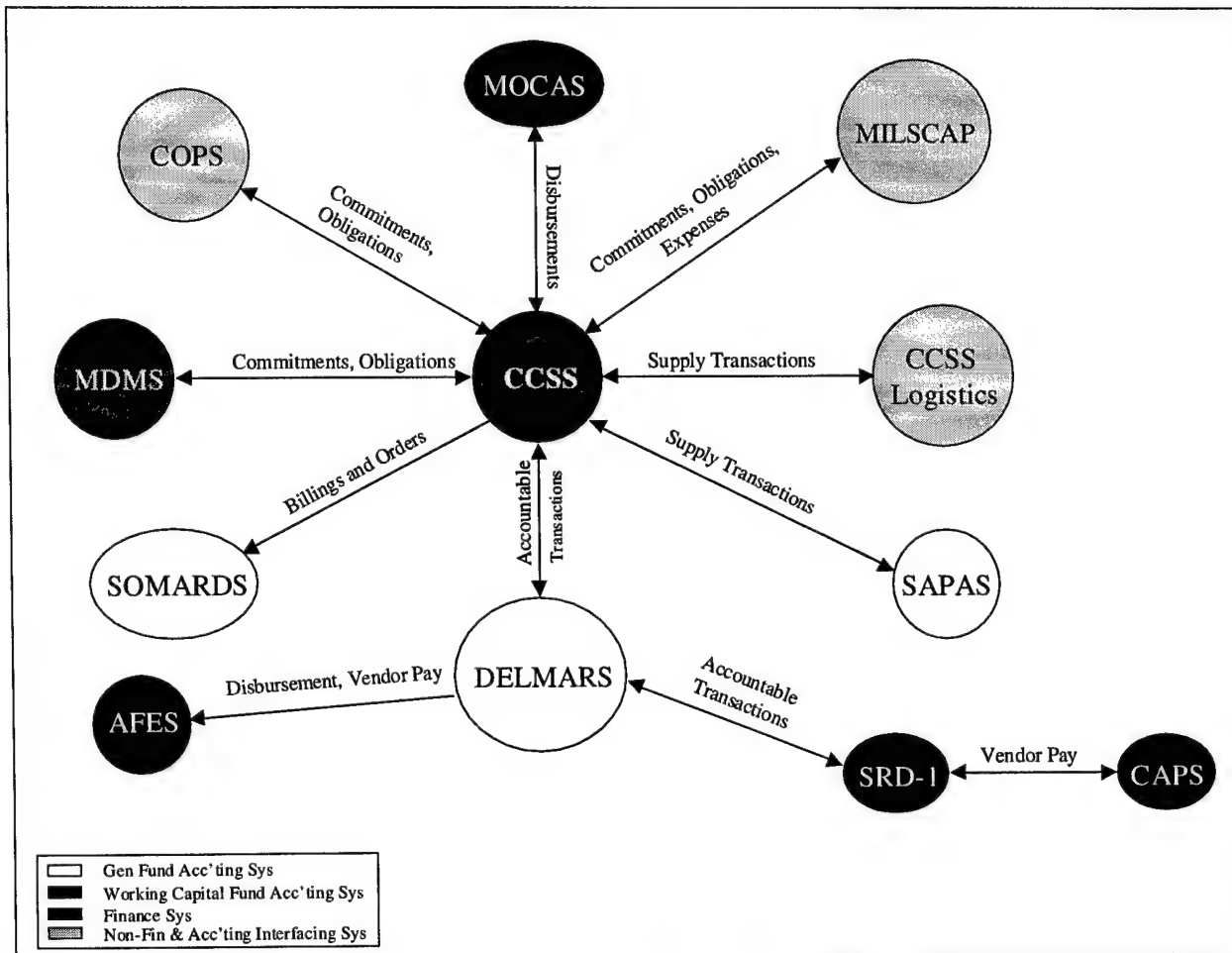


Figure IV.20 CCSS "As-Is" Data and System Flows

The system interfaces will change as illustrated in Figure IV.21.

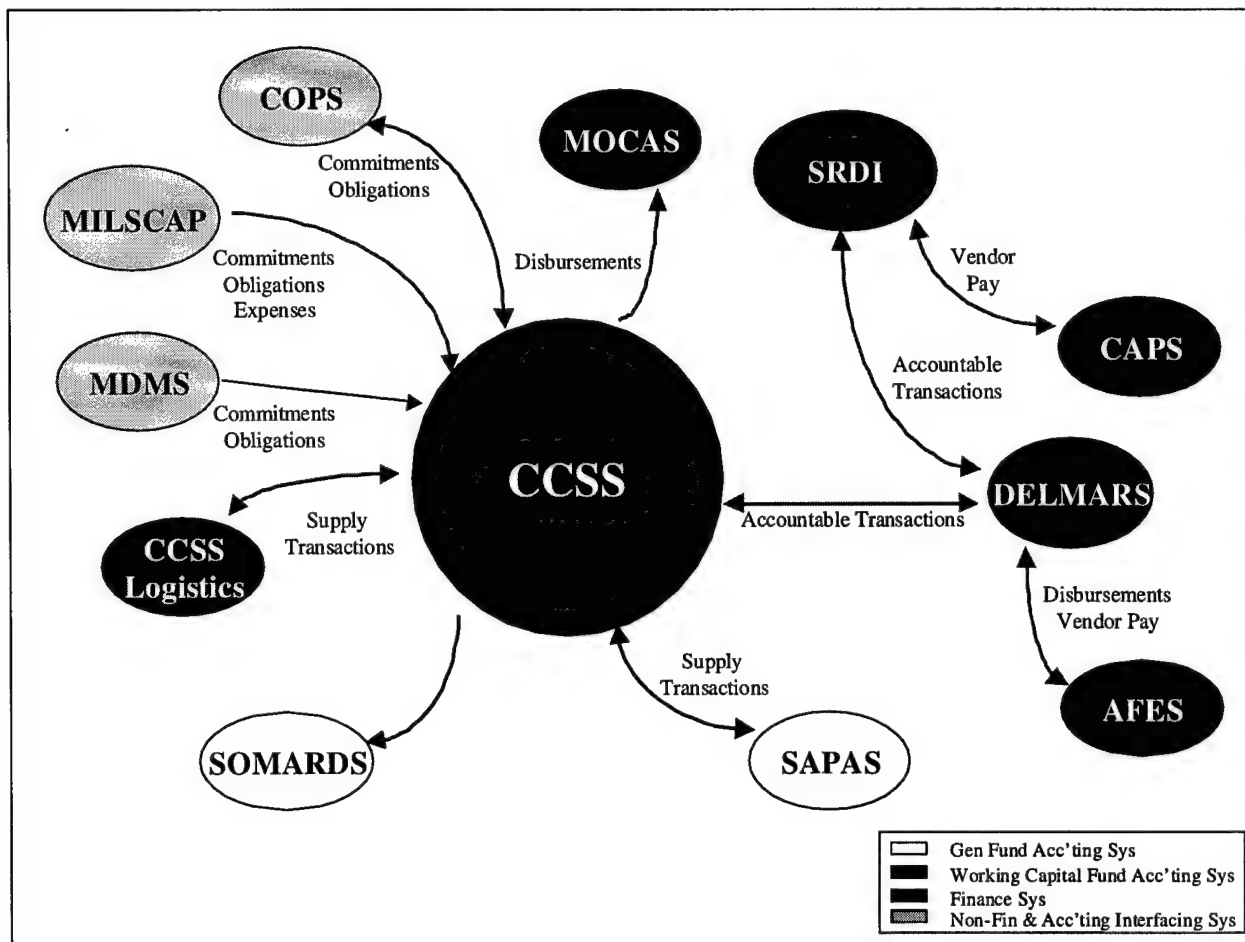


Figure IV.21 CCSS "To-Be" Data and System Flows

MFCS

The Material Financial Control System (MFCS) supports the Navy wholesale and will support the Navy retail supply management functions. The system interfaces vary for the retail and wholesales functions. Figure IV.22 illustrates the data and system flows for retail operations.

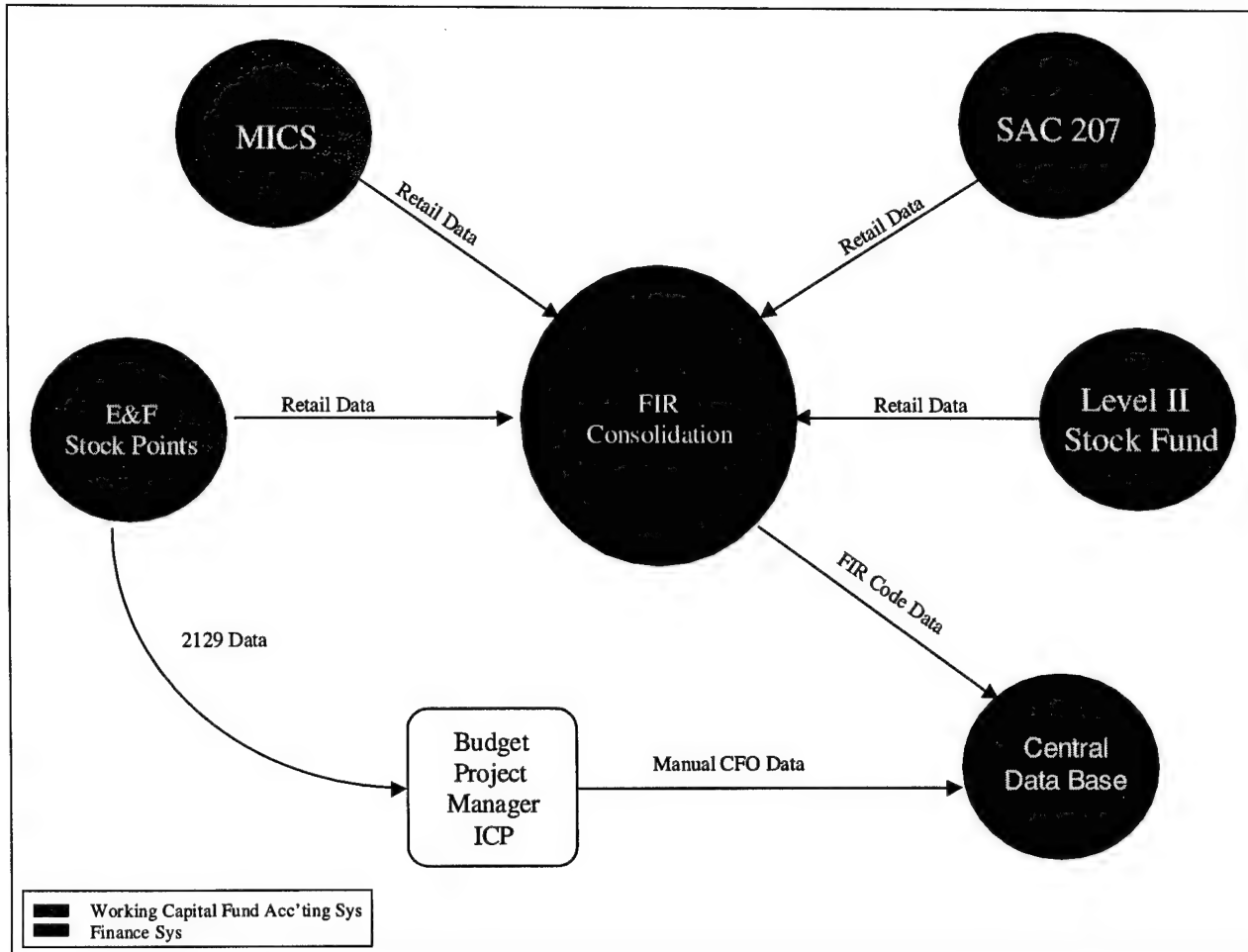


Figure IV.22 MFCS Retail "As-Is" Data and System Flows

The wholesale operations are processed using the data and system flow illustrated in Figure IV.23.

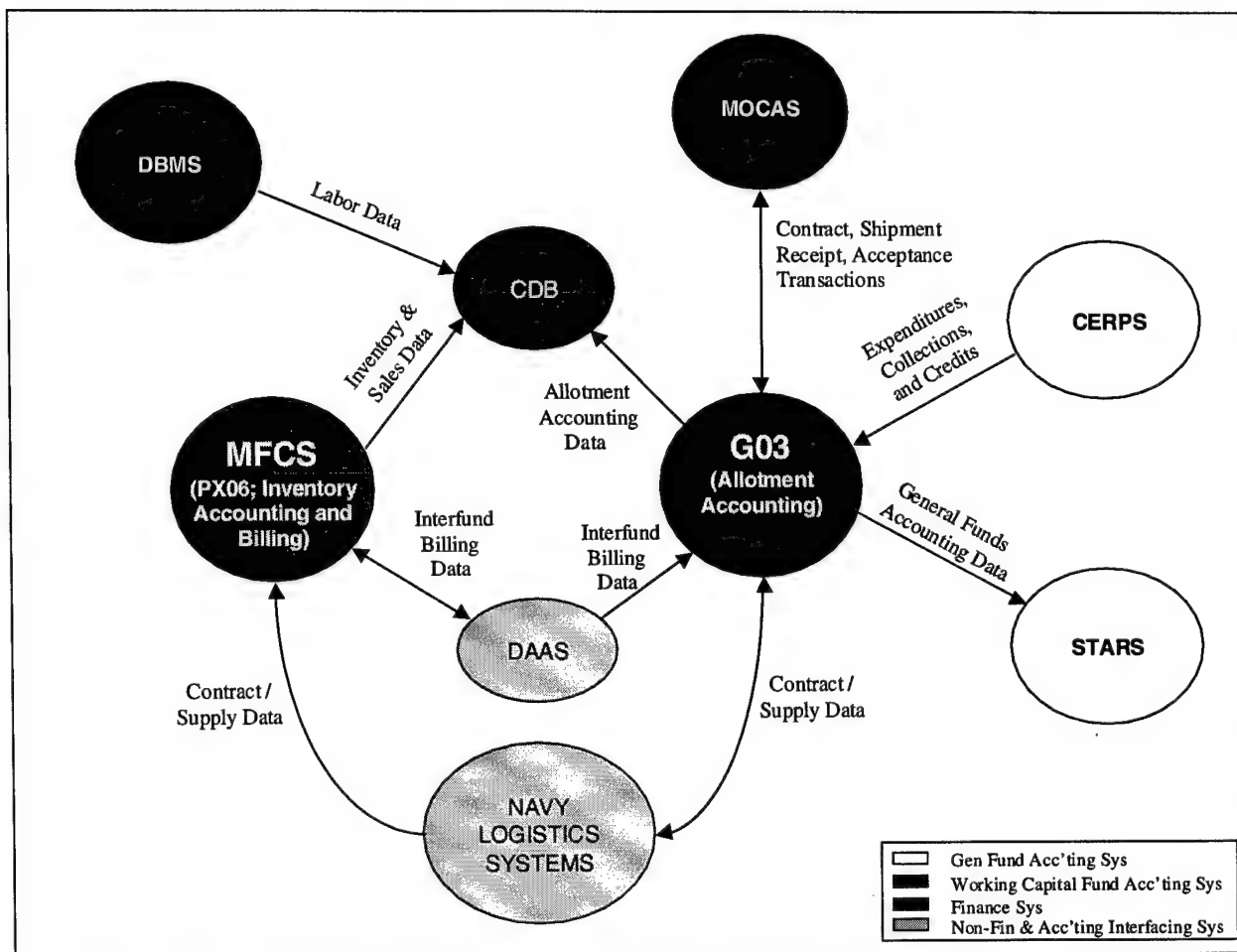


Figure IV.23 MFCS Wholesale "As-Is" Data and System Flows

The improved system interfaces decrease the number of required system interfaces as shown in figure IV.24.

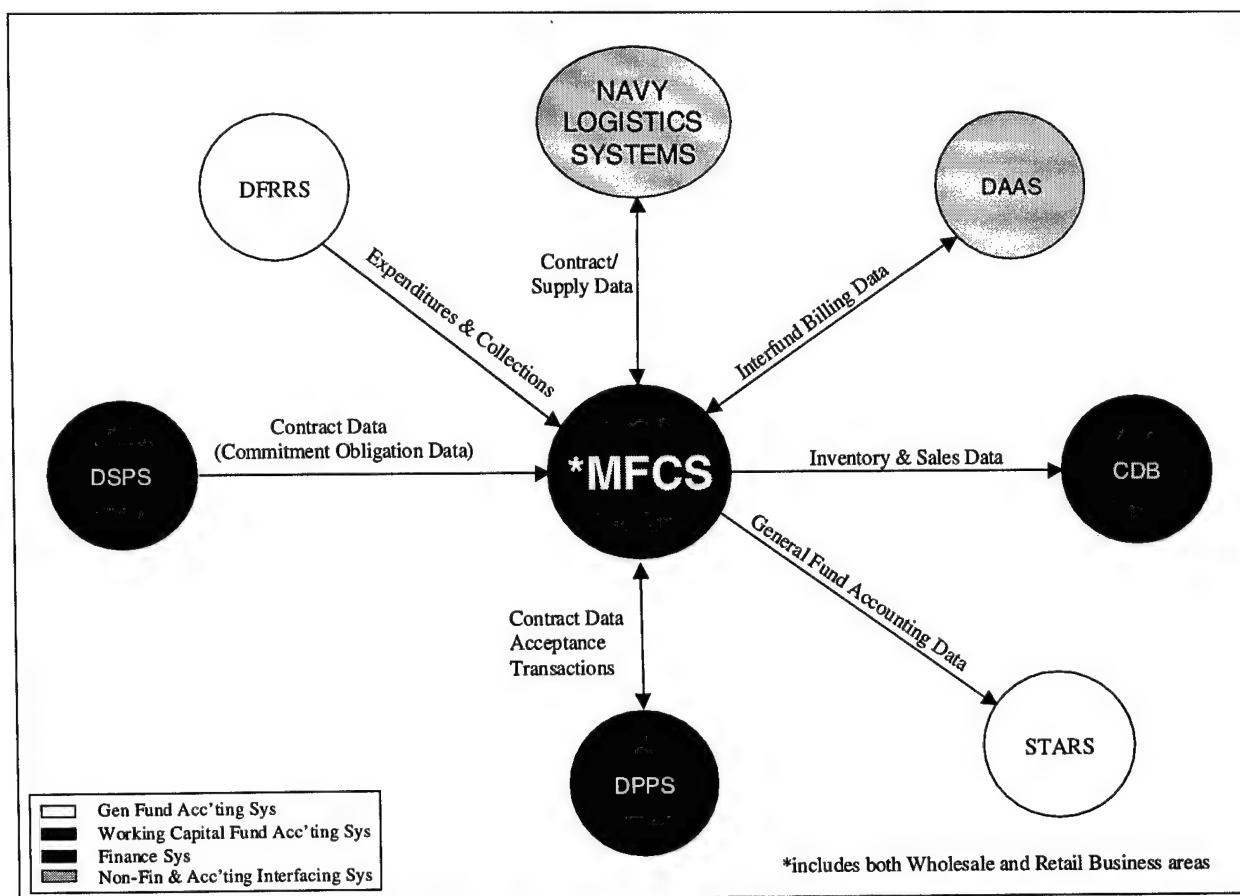


Figure IV.24 MFCS "To-Be" Data and System Flows

SAMMS

As shown in figure IV.25, the Standard Automated Material Management System (SAMMS) supports DLA's wholesale supply business areas for six commodities:

- construction
- electronics
- general
- industrial
- medical
- clothing and textile

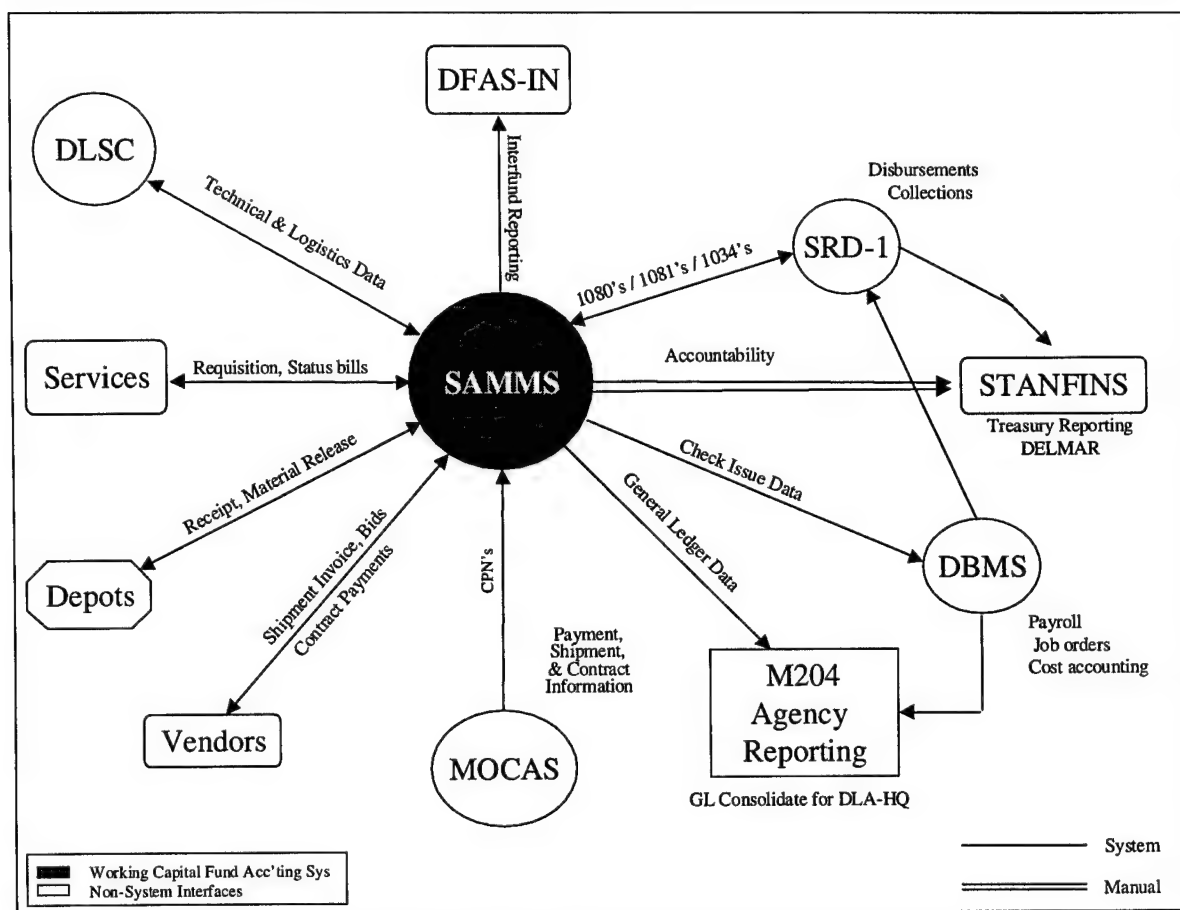


Figure IV.25 SAMMS "As-Is" Data and System Flows

SAMMS will eliminate the manual interfaces and increase the number of automated interfaces as illustrated in Figure IV.26.

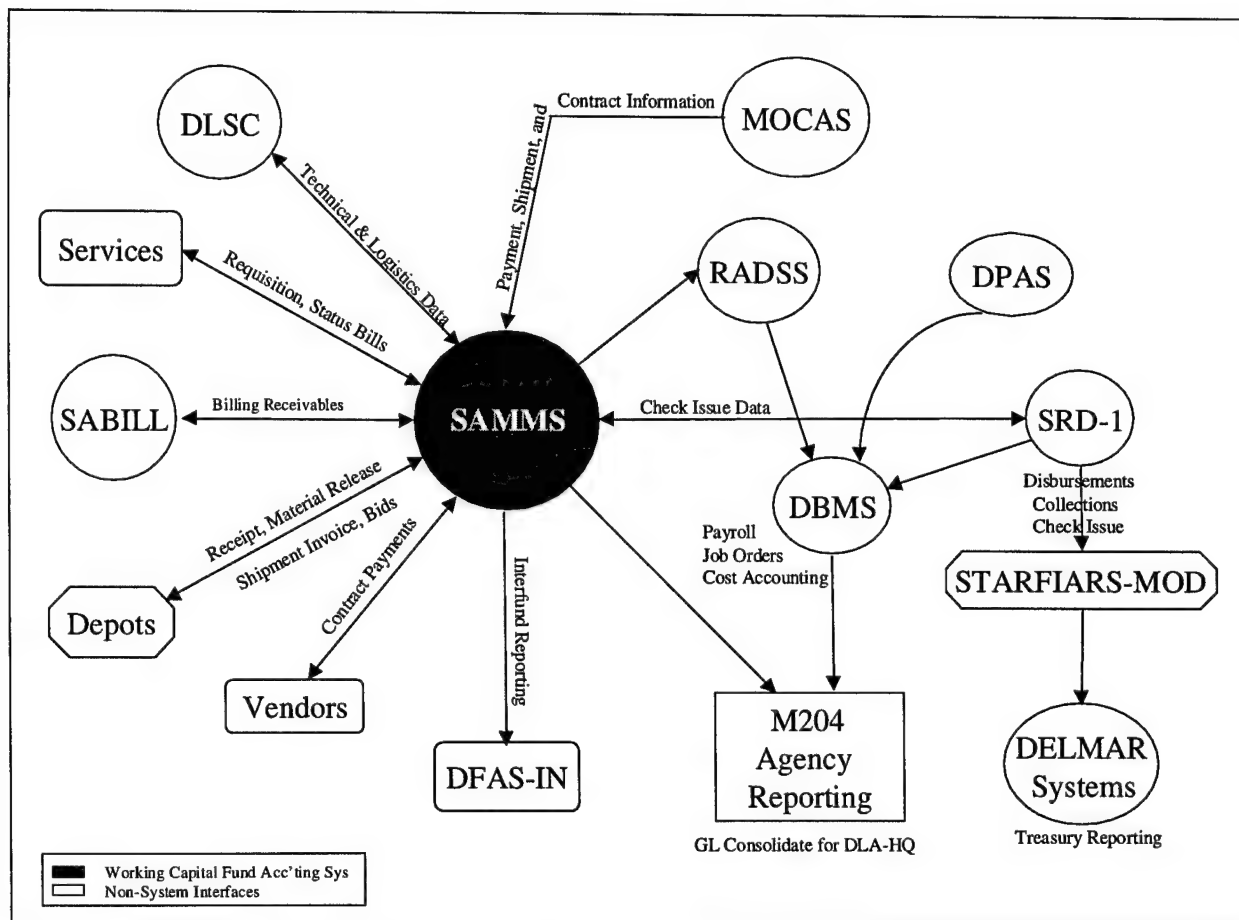


Figure IV.26 SAMMS "To-Be" Data and System Flows

SMAS

The Standard Materiel Accounting System (SMAS) supports the Air Force retail supply management as illustrated in Figure IV.27.

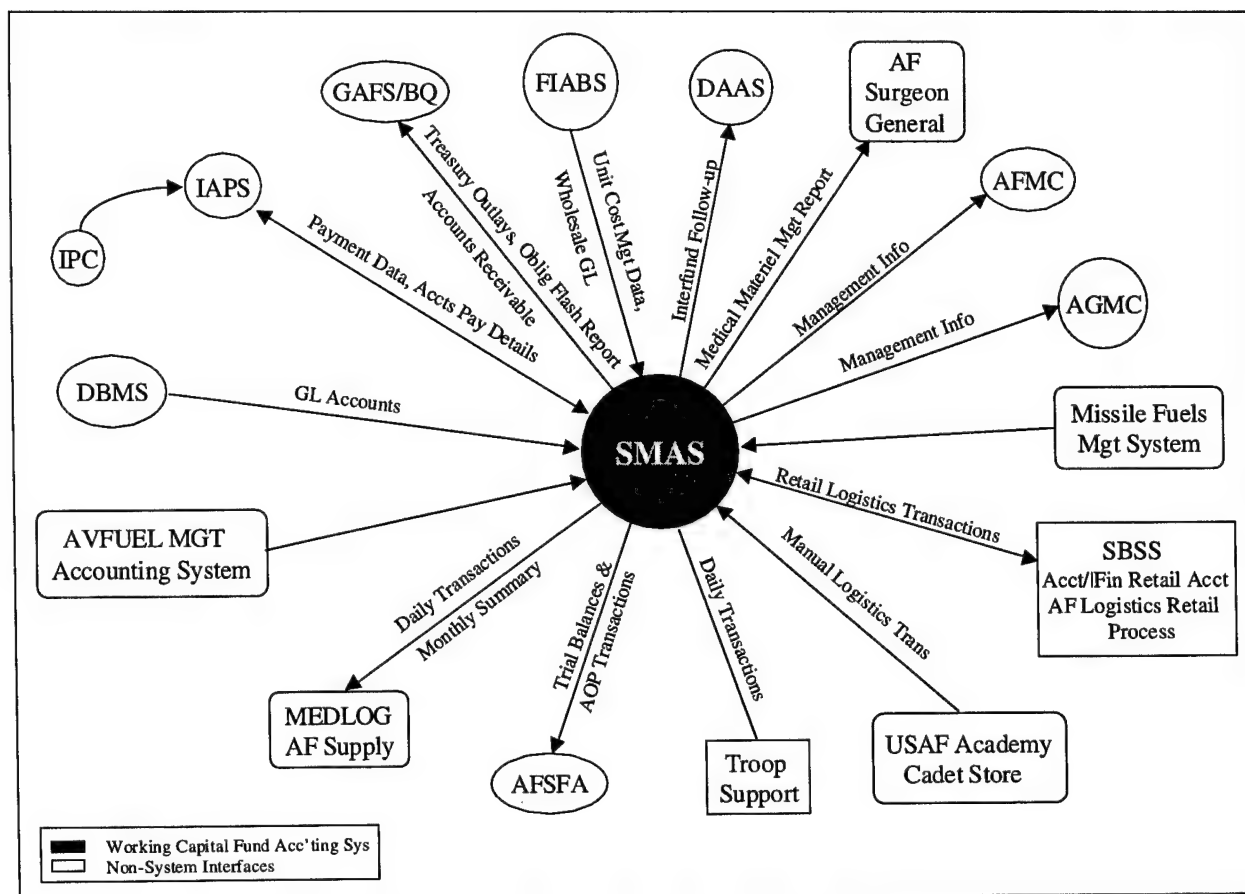


Figure IV.27 SMAS "As-Is" Data and System Flows

SMAS new data and system flows are illustrated in Figure IV.28.

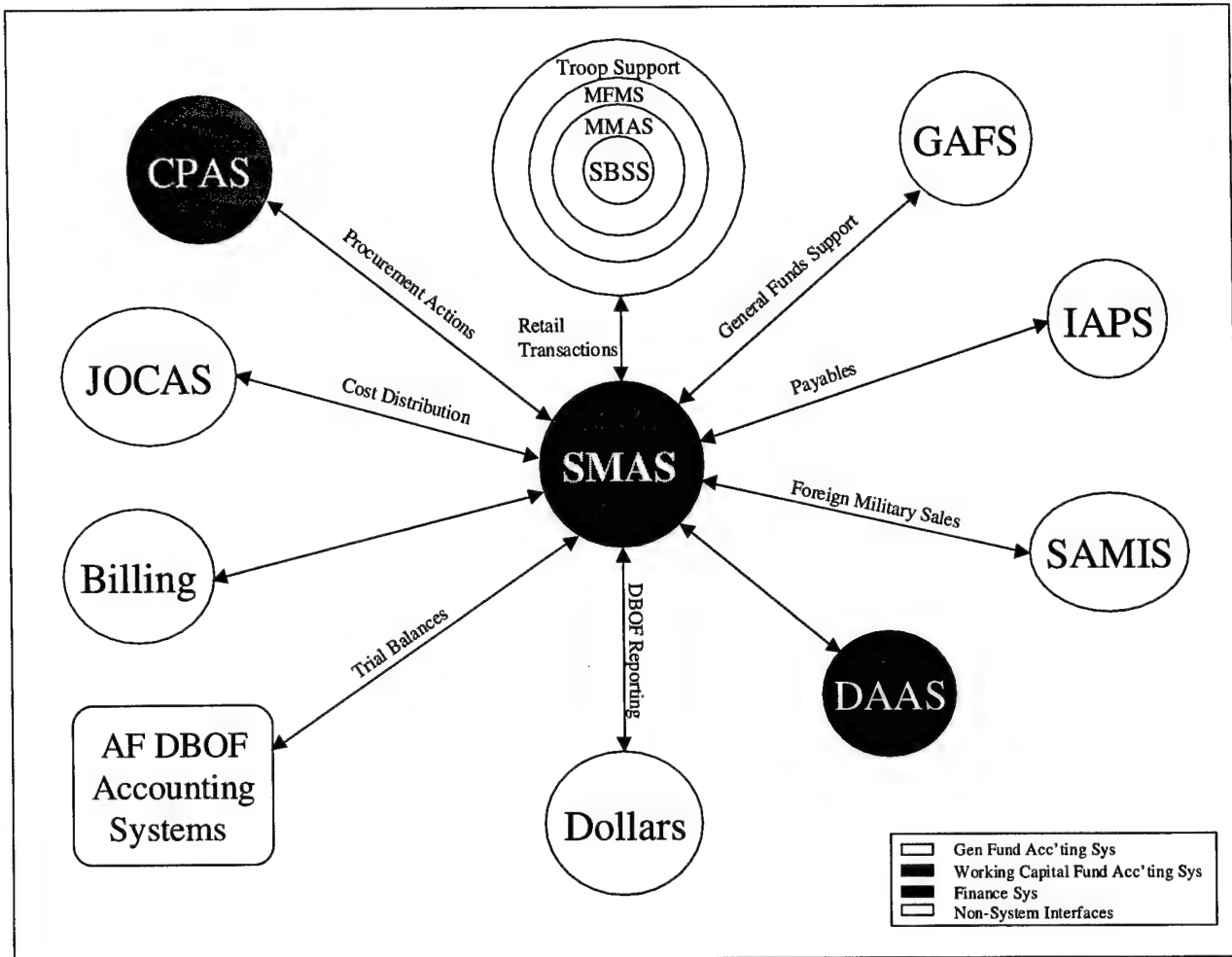


Figure IV.28 SMAS "To-Be" Data and System Flows

SIFS

The Standard Industrial Fund System (SIFS) supports Army Depot Maintenance using the interfaces illustrated in Figure IV.29.

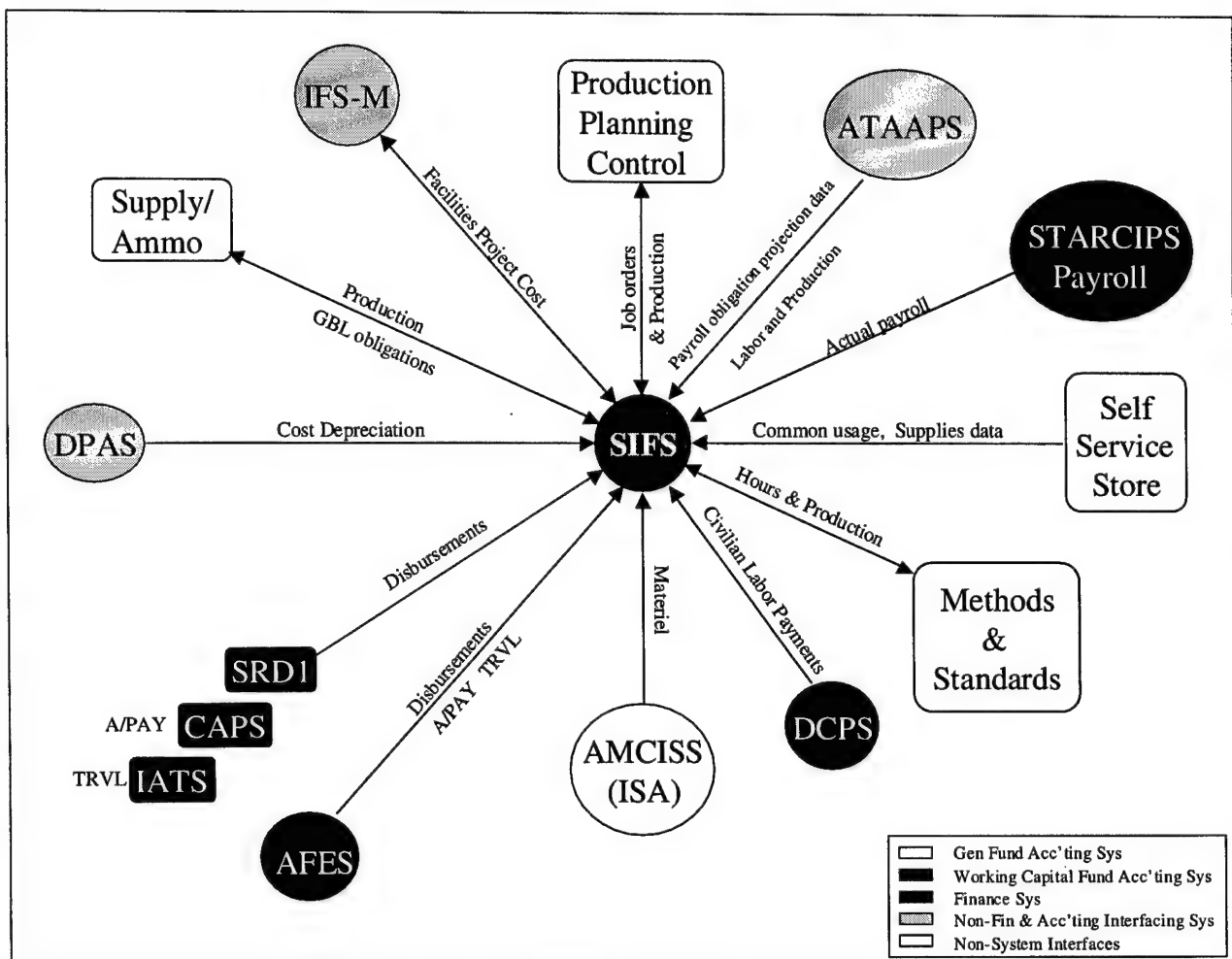


Figure IV.29 SIFS "As-Is" Data and System Flows

SIFS will eliminate some system interfaces as shown in figure IV.30.

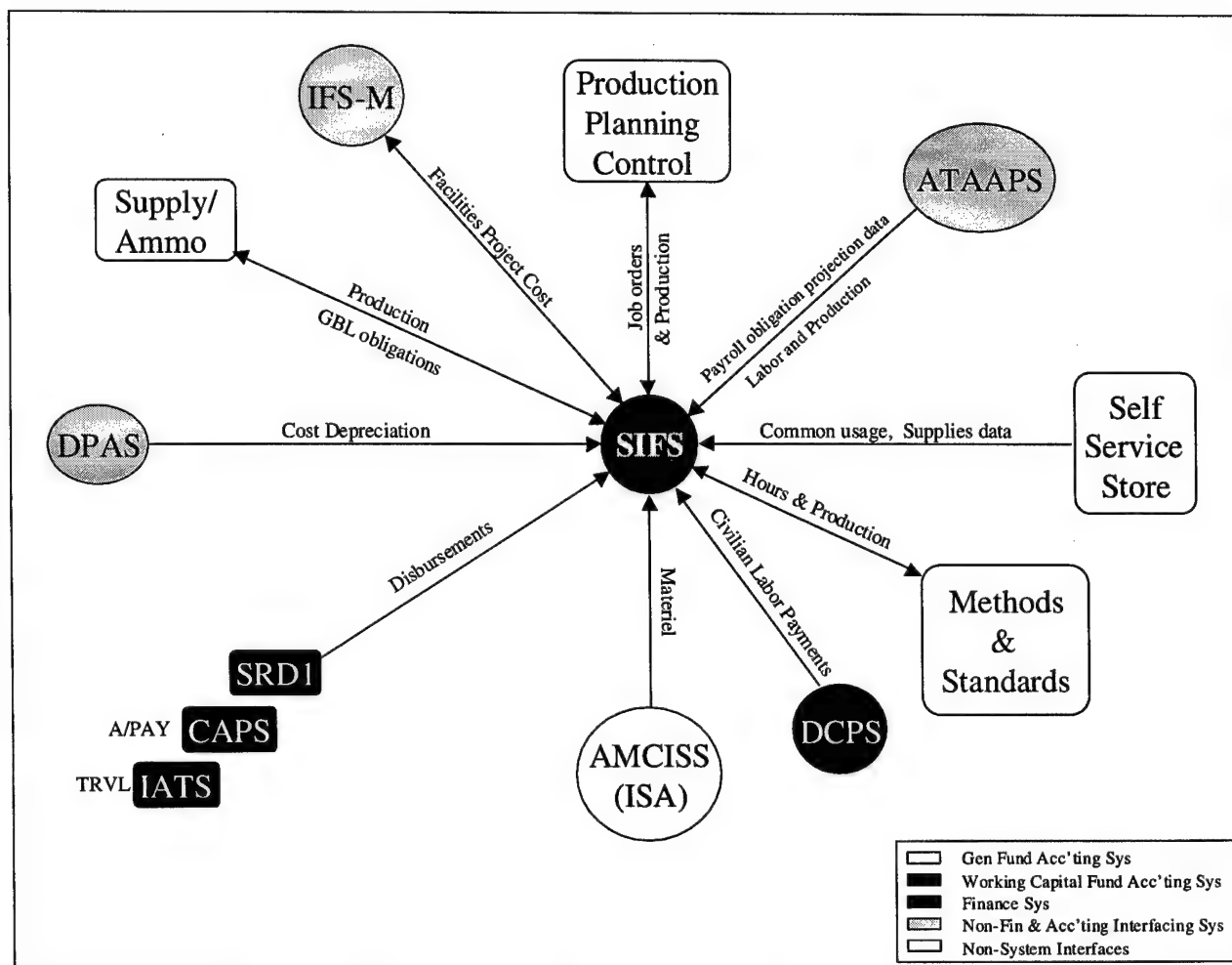


Figure IV.30 SIFS "To-Be" Data and System Flows

FAS

The Fuels Accounting System (FAS) is a commercial off-the-shelf (COTS) package consisting of accounts payable, general ledger, accounts receivable, inventory accounting, purchasing, order entry, and alert modules. The open systems architecture and full integration supports a reduction in data redundancy, data inconsistency and reconciliations, duplicate data entry, paper handling, NULO, and overpayments. In addition, it supports improved business practices through electronic commerce, decision support capability, processing and reporting capabilities, cash management controls, and budget data. Figure IV.31 highlights this information.

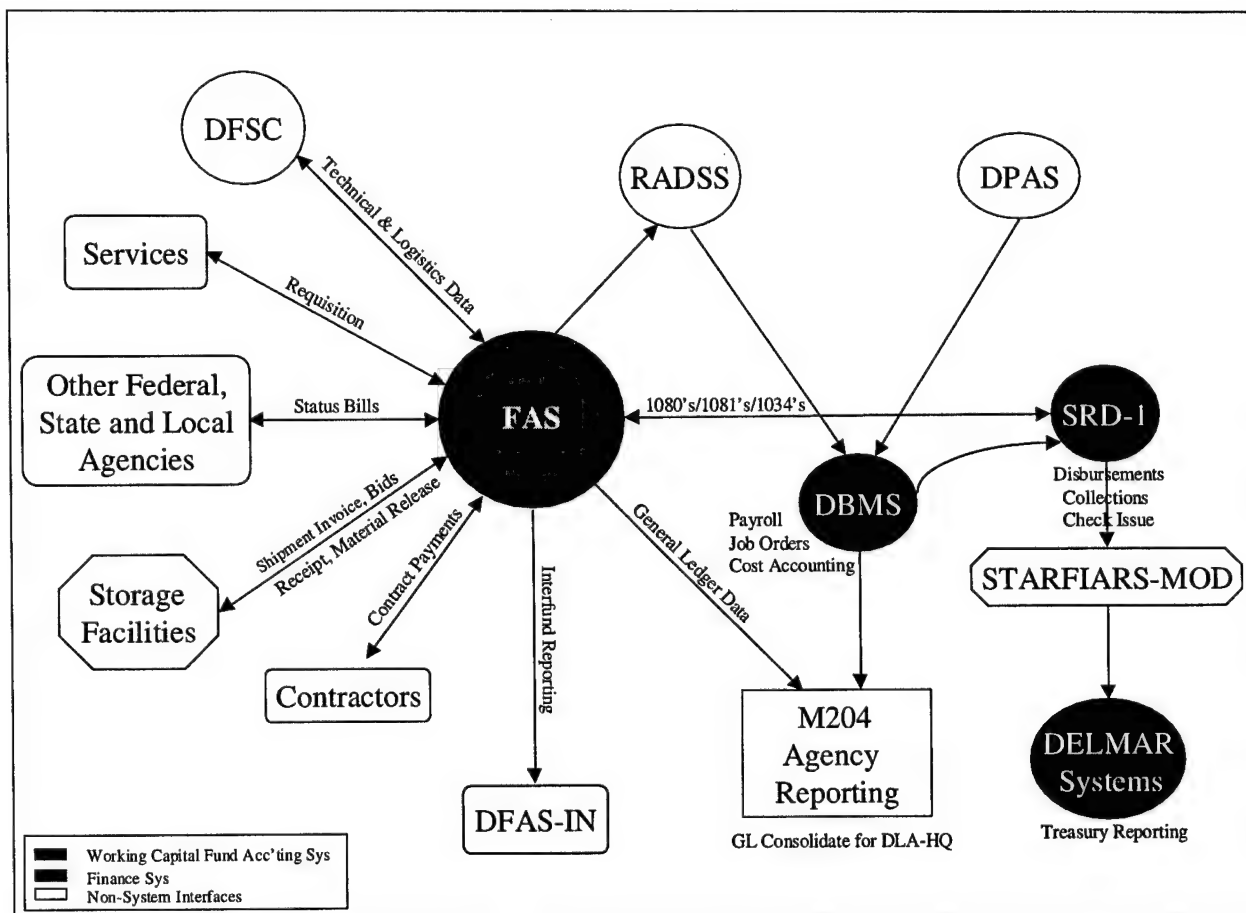


Figure IV.31 FAS "As-Is" Data and System Flows

STARFIARS

The Standard Financial Inventory Accounting and Reporting System (STARFIARS) supports the Army retail supply management functions using the data and system interfaces illustrated in Figure IV.32.

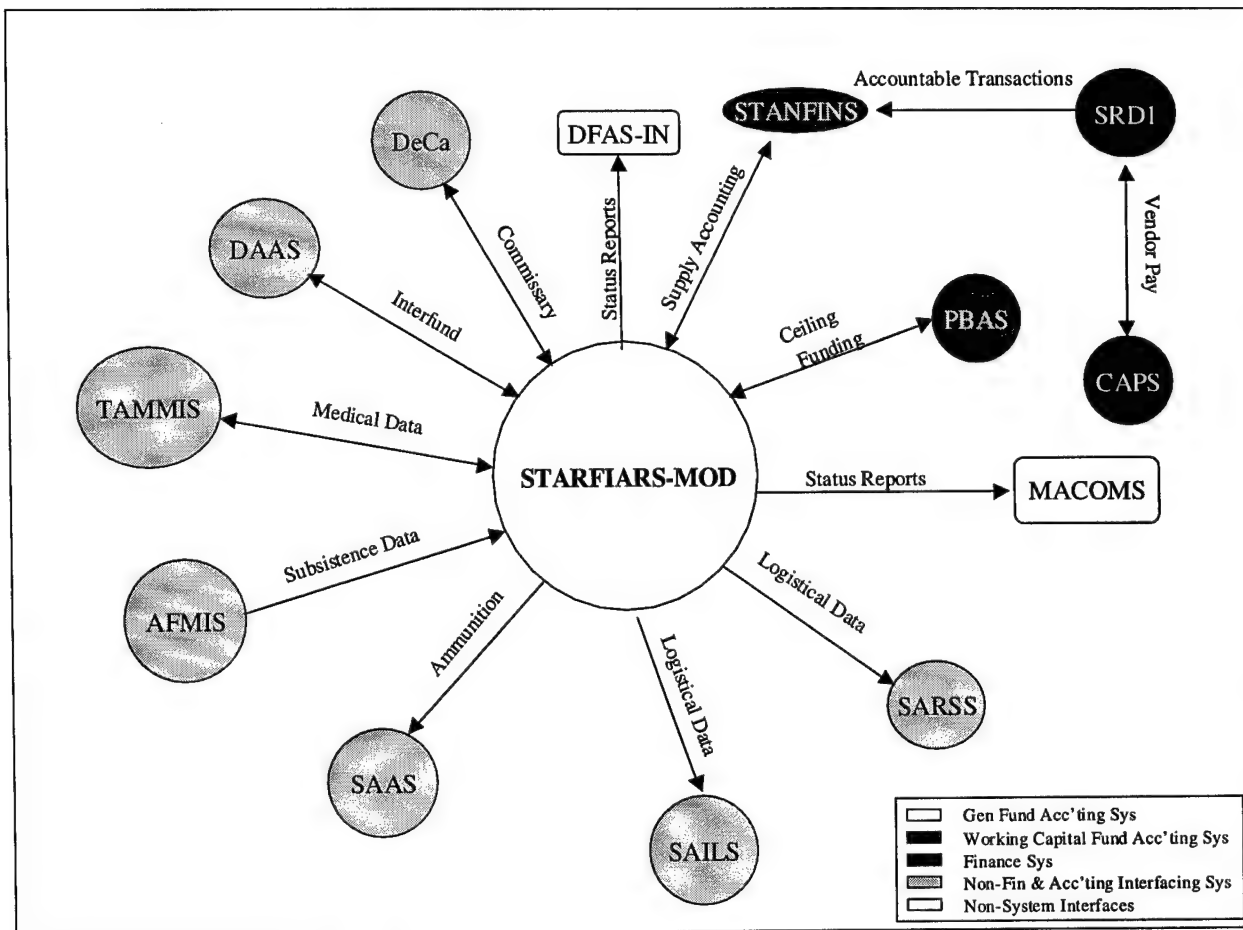


Figure IV.32 STARFIARS "As-Is" Data and System Flows

STARFIARS will transition from using STANFINS to CEFMS as shown in figure IV.33.

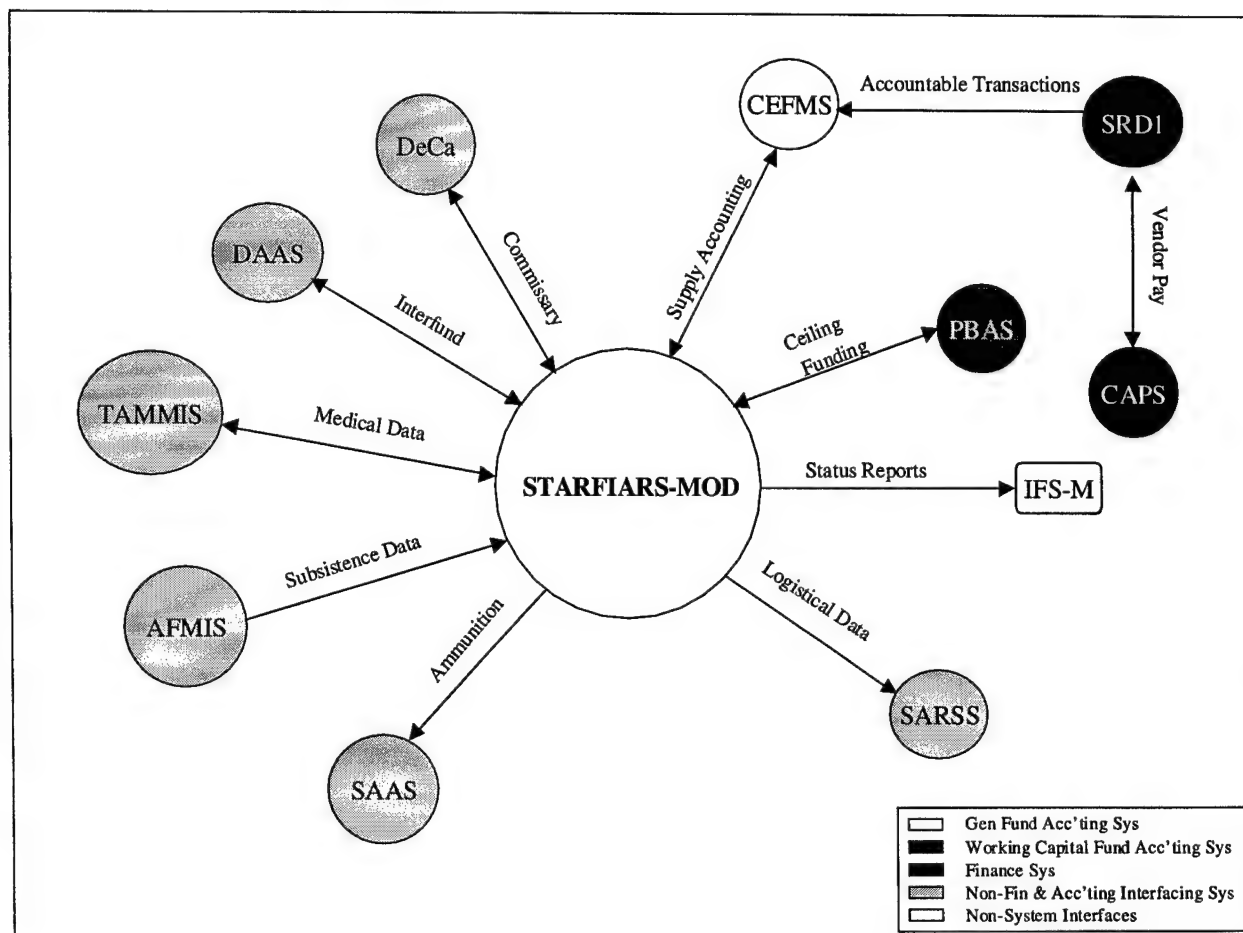


Figure IV.33 STARFIARS "To-Be" Data and System Flows

Other Current Initiatives

The Department currently has other initiatives in place to improve the Cost Accounting function.

Initiative	Objective
Job Order Cost Accounting System (JOCAS) II	The Job Order Cost Accounting System (JOCAS) centralization implementation initiative is a critical element to the operations of the Defense Security Service (DSS) as it enters the Defense Working Capital Fund (DWCF).

**Current
Initiatives**

continued

Initiative	Objective
Defense Integrated Finance System-Redesign (DIFS-R)	DIFS consolidates Security Assistance (SA) financial data from the DFAS network and provides financial management, customer billing, and reporting for the SA program.

CORE REQUIREMENT - CASH MANAGEMENT

Description The Cash Management function tracks the cash position and provides the necessary reports for managing cash. Status of funds are maintained and reported to the resource or program managers. Financial events are posted to a general ledger. Subsequently, dollar amounts of the inventory and the corresponding appropriation are reduced.

Objectives The objective is to use one standard departmental reporting system to ensure all U.S. Treasury reports will be produced using the U.S. SGL from this system. Funds control systems must ensure that spending does not exceed funds appropriated or authorized.

Strategies To streamline and reengineer the cash management process, the Department is using the following strategies:

- analyze, revise and implement procedures to eliminate needless or duplicative actions
- use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes
- develop standard data elements within the Department and coordinate with other federal agencies to facilitate government-wide standards
- ensure systems comply with statutory, regulatory, and audit requirements

Current Initiatives The Department has multiple initiatives for improving the Cash Management Function.

Initiative	Objective
Departmental Cash Accountability System (DCAS)	DCAS is the final migratory system selected by DFAS to be the single cash accountability system for the Department. Cash accountability is the reporting of disbursements, reimbursements, deposits, and receipts to the U.S. Treasury.
Departmental Cash Management System (DCMS)	The Department is implementing DCMS, which is a streamlined business design uses the power of client/server and desktop platforms. This system will eliminate in-transit

**Current
Initiatives**

continued

Initiative	Objectives
	transactions by providing expenditure reporting directly from the disbursing station. DCMS is the planned replacement for the inefficient and non-compliant Merged Accountability and fund Reporting (MAFR) system, and will provide support for improving cash accountability business processes.
Departmental Financial Reporting and Reconciliation System (DFRRS)	DFRRS will provide a consolidated, standardized, and centralized cash accountability/expenditure reporting and reconciliation system for the DFAS Cleveland Center, which will possess shortened cycle time, reduced cost, and improved quality of products and services.

INFRASTRUCTURE REQUIREMENT - HUMAN RESOURCES

Description	<p>This function encompasses the recruiting, training, and developing of personnel and maintaining core competencies for all of the Department's finance and accounting personnel. Prior to the establishment of the Defense Finance and Accounting Service (DFAS), the Military Departments were responsible for recruiting and training their employees and military personnel. The DFAS capitalized a majority of the individual Military Department finance and accounting manpower authorizations and associated personnel, and assumed responsibility for recruiting civilians and providing training to military and civilian personnel. The Military Departments retained the responsibility for recruiting and training the remaining individuals.</p>
Current Status	<p>In August 1995, the USD(C) together with the Military Department Assistant Secretaries (Financial Management and Comptroller) and the Director of the DFAS signed a charter that established the Financial Management Community Executive Committee. The objective of this Committee is to ensure the continued viability of civilian and military careers in financial management fields in the Department by addressing many items, including education, training, and career development.</p> <p>In 1996, the Committee established the Civilian Professional Development and Training Work Group (CPDTWG), which consists of subject matter experts in financial management who meet regularly. One of the CPDTWG's projects was to identify and develop generic core competencies for the Department's entire financial management work force. The CPDTWG developed eleven-core competencies (in addition to a working knowledge of basic accounting principles) necessary for successful senior financial managers in today's complex financial and accounting environment.</p> <p>Military Department and Defense Agency-unique Civilian Career Management Programs and mentorship programs focus on the professional development and training of higher graded employees. The Military Departments and the Defense Agencies also use intern programs to recruit recent college graduates and provide training to develop required competencies in their employees. The DFAS recently began a Civilian Career Management Program designed to further develop trained employees. The DFAS career management program provides employees with competency-based career development plans that set forth a structure for them to build capabilities for current and future assignments.</p>

In addition, the Department has undertaken information system initiatives that will improve the ability of the financial community to manage its human resources.

Strategies

A strong supporting infrastructure is one of the Department's focuses. The following supporting strategies demonstrate the Department's commitment to improving the Human Resources function:

- provide financial management training to enhance performance and quality, and improve efficiency
- provide policies and procedures that are clear, simple, direct and thorough that ensure compliance with existing laws and regulations
- develop mentoring program to include professional development and active communication channels

Objectives

The Department recognizes the need to have a well-trained, competent workforce performing all levels of its finance and accounting functions. To achieve this, the Department is implementing standardized career systems and programs aimed at improving employee performance.

The objectives are to:

- develop and strengthen employee professional qualifications
- prepare employees to perform duties more efficiently and effectively
- retain quality, high grade employees
- increase the overall education level of the workforce

Current Initiatives

The Department has multiple initiatives for improving the Human Resources function:

Initiative	Objective
Peoplesoft	Peoplesoft is a COTS product that will be used to consolidate and standardize personnel policy across intelligence components of the Military Departments and the Defense Agencies.
Regionalization and Systems Modernization (REG/MOD)	Consolidation of civilian personnel operations across the Department into regional service centers (RSC)

Current Initiatives

continued

Initiative	Objective
	and installation-level customer support units (CSU).
Civilian Career Management Program (CIVPROG)	Develop and implement an agency career management system that clearly identifies guidelines and processes for the acquisition, training and development, maintenance, and advancement of DFAS employees in all occupational series.
Defense Enrollment Eligibility Reporting System (DEERS)	DEERS is a benefits system that collects, maintains, and provides demographic data on eligible beneficiaries, which is used to improve the management, planning, and allocation of DoD benefits resources.
Health Standard Resource System (HSRS)	HSRS will integrate Service-specific readiness and manpower utilization, workload, and financial reporting, and business office processes into one system.
Concerto – Human Resources Management System (HRMS)	The Concerto – HRMS replacement initiative will replace the legacy human resources, training, and security systems with commercial-off-the-shelf (COTS) technology.
Core Financial Management Competencies	The Core Financial Management Competencies initiative identifies the needs and core competencies to improve overall training and development of the comptroller staff. The Defense Advanced Research Project Agency (DARPA) developed this education plan in accordance with JFMIP Framework.

INFRASTRUCTURE REQUIREMENT - INTERNAL CONTROLS

Description The internal controls function prevents waste, fraud, mismanagement, and abuse within the Department's finance and accounting operations. It does so by determining the correct processes and procedures necessary to perform finance and accounting duties in the most effective and efficient manner.

Current Status Currently, many of the Department's processes and systems do not always have the necessary controls in place to detect or prevent occurrences of fraud, waste, abuse, and to identify areas for management improvement. This is especially evident in the case of manual data entry, which often leads to undetected data errors.

Strategies The Department is focusing on its internal control function in order to prevent occurrences of fraud, waste, abuse, and mismanagement. It is doing so through several methods:

- improving accountability by ensuring that management controls are integrated into day-to-day operations
- maintaining oversight structure to ensure the involvement of the Department's senior leaders in the financial reform process
- safeguarding information and resources against fraud, waste, abuse, and mismanagement through adequate internal controls

Current Initiatives The Department has multiple initiatives in place to combat fraud, waste, abuse, and mismanagement and improve the Internal Controls function.

Initiative	Objective
Operation Mongoose	A proactive fraud detection and prevention unit formed to identify possible individual intrusion into financial systems for illegal personal gain.
Multilevel Information System Security Initiative (MISSI)	Improve the security posture of the DFAS systems and to explore new and emerging information security technologies.

Current Initiatives

continued

Initiative	Objective
Activity Based Costing (ABC)/Management or Total Ownership NPR Goal	The purpose of the ABC implementation initiative is to define requirements and establish an implementation plan for a cost accounting and cost management system.
Defense Commissary Agency (DeCA) Interim Business System (DIBS)	The Defense Commissary Agency (DeCA) Interim Business System (DIBS) initiative supports a variety of functions that include ordering, receiving, shelf stock replacement, physical inventory, and control operations (deposits, demand reporting, and centralized control of file and database maintenance).
Obligation/Disbursement Percentage Rates	The Obligation/Disbursement Percentage Rates initiative is used for Research, Development, Test and Evaluation (RDT&E) appropriations throughout the Military Departments and Defense Agencies.
Elimination of Unmatched Disbursements (EUD)	The Elimination of Unmatched Disbursements (EUD) initiative provides an automated method to prevalidate entitlement transactions with the appropriate obligation before payment.
Implement Certifying Officers Legislation	The Implement Certifying Officers Legislation initiative links responsibility for payments to activities and personnel with direct knowledge of operations and responsibility for design and operations of systems feeding data to accounts payable systems.
Supply Chain Management (SCM)	The Supply Chain Management (SCM) initiative reengineers the supply chain management process

**Current
Initiatives**

continued

Initiative	Objective
	to replace cumbersome and fragmented efforts of managing inventories and stock supplies.

**Future
Initiatives**

To put more emphasis on the key elements of internal controls established within most major commands, the Air Force has formulated and published a core list for the entire financial management community. SAF/FM is posting the checklist to the Air Force Financial Web-site, making it readily accessible for use and updates. The checklist will be used by MAJCOMS, for individual use or higher level directed reviews.

To transition smoothly to its future concept of operations, the Department needs to further analyze its procedures to identify problem areas with internal controls. The use of modern technology and the implementation of safeguards will aid in the reduction of fraud, waste, abuse, and mismanagement. Increased accountability of finance and accounting personnel at all levels and continued oversight will also help reduce these problems.

INFRASTRUCTURE REQUIREMENT - SYSTEM APPLICATIONS

Description Systems Applications focuses primarily on how data is transferred between feeder systems, transaction processing systems, and accounting and reporting systems.

Current Status Currently, the Department relies on either manual or multiple individual system interfaces to transfer data back and forth between systems. These interfaces require extensive translation tables that often contain errors as a result of data element translation problems or inadequate updates to keep up with system changes.

Strategies The Department is implementing multiple strategies to combat deficiencies in the systems application function.

- use modern technology to the fullest extent possible to develop flexible, streamlined procedures, and processes (e.g., EDI and EFT)
- provide information that is accurate and timely to internal and external stakeholders
- ensure systems comply with statutory, regulatory, and audit requirements
- employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes

Current Initiatives The Department has multiple initiatives to improve the systems application function.

Initiative	Objectives
Procurement Request Information System (PRISM)	To eliminate manual record keeping through the automation of the contract administration process.
Systems Inventory Database (SID)	The Department implemented the SID which provides an inventory of all DoD financial management systems and the DFAS administrative systems.
OSD Information Technology Program (OSDITP)	To integrate three separate databases into one, eliminating duplicative data and enabling cradle to grave tracking and management of IT.

Current Initiatives

continued

Initiative	Objectives
Defense Environmental Security Corporate Information Management (DESCIM)	The DESCIM Information Technology program includes target areas for reengineering, fielding, and integrating migration systems and transition to implementing Environmental Security Information Management, Information Technology Transfer, Installation Systems, and Cleanup Technology.
Automated Billing Project (ABP)	ABP will automate the current manual reimbursable billing process.
Momentum System	The Momentum System is a single source management and financial system that incorporates the budget planning and the internal review process at the Defense Advanced Research Project Agency (DARPA).
Defense Medical Logistics Standard Support (DMLSS) Program	The Defense Medical Logistics Standard Support (DMLSS) streamlining initiative is intended to simplify the complexity and number of electronic financial transactions that occur between Service Medical Logistics Systems, the DMLSS, and the DFAS.
Field Management Information System (FMIS) ABS Integration	Reimbursable information recorded in DCAA's internal DBS system is downloaded by the DFAS into the ABS and DBMS to speed billing and collections of receivables and reduce workload.
Integrated Logistics System (ILS)	The Integrated Logistics System (ILS) initiative improves data accuracy and maintains accountability of the Defense Intelligence Agency's (DIA) expendable, capital, and durable assets.
Resource Analysis Decision Support System (RADSS)	RADSS provides a consolidated source of unit cost, manpower, budget, and work count information for the DFAS community including the Headquarters, the Centers, the Operating Locations (OPLOCS), the Infrastructure Services Organization (ISO), and USD(C).
Standard Automated Voucher Examination System (SAVES)	The SAVES compliancy initiative is automated support for the contract and bill paying functions.

**Current
Initiatives**

continued

Initiative	Objectives
WHS Allotment Accounting System (WAAS)	The WHS Allotment Accounting System (WAAS) initiative will strengthen internal controls and improve data accuracy while ensuring compliance with Key Accounting Requirements (KAR).

INFRASTRUCTURE - SYSTEMS ARCHITECTURE

Description	<p>The Department's corporate information infrastructure is a common development, test, and production infrastructure comprised of a corporate database and corporate data warehouse, integrated finance and accounting processes, and other varied environments, building blocks, and system standards. The corporate information infrastructure will establish a shared corporate information environment based on Defense Information Infrastructure (DII) guidance, DoD Joint Technical Architecture (JTA) standards, and DoD data standards. It will evolve to become the future information environment for DoD financial services.</p>				
Current Status	<p>The corporate database and corporate data warehouse are still in the development phase.</p>				
Strategies	<p>The Department is implementing multiple strategies to improve the Systems Application function:</p> <ul style="list-style-type: none"> • use modern technology to the fullest extent possible to develop flexible, streamlined procedures and processes (such as EDI and EFT) • provide information that is accurate and timely to internal and external stakeholders • ensure systems comply with statutory, regulatory, and audit requirements • employ technology improvements to develop standard systems that use logically integrated or interfaced databases with flexible infrastructure supporting future changes 				
Current Initiatives	<p>The Department has multiple initiatives to improve the Systems Architecture function.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Initiative</th><th style="text-align: center;">Objectives</th></tr> </thead> <tbody> <tr> <td style="vertical-align: top;">DoD Corporate Warehouse</td><td> <p>The DoD corporate warehouse will contain standard and non-standard data extracted from one or more operational systems to provide a standard suite of data conversion and analysis tools that enable Department decision support needs and are JTA compliant.</p> </td></tr> </tbody> </table>	Initiative	Objectives	DoD Corporate Warehouse	<p>The DoD corporate warehouse will contain standard and non-standard data extracted from one or more operational systems to provide a standard suite of data conversion and analysis tools that enable Department decision support needs and are JTA compliant.</p>
Initiative	Objectives				
DoD Corporate Warehouse	<p>The DoD corporate warehouse will contain standard and non-standard data extracted from one or more operational systems to provide a standard suite of data conversion and analysis tools that enable Department decision support needs and are JTA compliant.</p>				

**Current
Initiatives**

continued

Initiative	Objectives
DOD Corporate Database	The DoD corporate database will contain standard data, maintain an audit trail to the data source, and be JTA compliant.

INFRASTRUCTURE - DATA STRUCTURES

Description Data elements are the “shorthand” of any accounting system. The data elements identify such things as fiscal year, appropriation, and type of commodity purchased. Standardized data elements within the finance and accounting feeder systems are the key factors in developing efficient and effective finance and accounting operations. The use of standard data allows for consistent classification throughout the entire Department.

Strategies The Department is using the following strategies to achieve standard data throughout its finance and accounting operations.

- develop standardized data elements within the Department and coordinate with other federal agencies to facilitate government-wide standards
- strengthen the partnership between the core financial management and the program financial management communities
- employ technology improvements to develop standard systems that use logically integrated or interfaced databases with a flexible infrastructure supporting future changes
- implement a “single entry” structure that requires data entry for business data elements once (in feeder, finance, or accounting system), provides the necessary data elements to all stakeholders within the Department, and tracks transactions from the source to the financial statements

Current Status Currently, each Military Department and Defense Agency use different data elements within their respective finance and accounting systems. These data elements do not readily crosswalk between the different systems creating confusion and inconsistency when attempting to consolidate data for financial processing and reporting purposes.

Because systems are not integrated and data is not readily transferable between users, manual processing is required. Manual processing increases the chance of error and takes more time to process transactions. With a standardized data format, electronic interfacing can be used, and a single corporate database warehouse may be implemented.

**Current
Initiatives**

Initiative	Objectives
The Budget and Accounting Classification Code (BACC)	The BACC simplifies the task of standardizing systems and interfaces between systems at all DoD organizational levels by allowing for the use of a single data structure and the capability to edit for acceptable values. The Department is generating detail coding in the BACC fields, and the BACC will assist in accounting and feeder system migration upon full implementation.
Global Edit Tables (GET)	The GET project was created to provide a single data validation reference capability within the DoD finance and accounting network for accumulating and disseminating standard fiscal code (BACC) and standard transaction data sets. The initial GET was available in October 1997.
Integrated Digital Environment (IDE)	The Integrated Digital Environment (IDE) initiative is intended to establish data management systems and appropriate digital environments that allow every activity involved with a program to exchange data digitally throughout its total life-cycle.
Standard Data Implementation Strategy (SDIS)	The Standard Data Implementation Strategy (SDIS) is not system specific. The overarching purpose of this initiative is to support the Department's Data Administration program.

**Future
Initiatives**

The Department must implement the BACC/GET standard data elements it has already developed. This initiative will be the framework for integrating finance and accounting systems and ultimately establishing the corporate data warehouse necessary to fulfill the many legislative requirements for compliant systems.

The DoD corporate information infrastructure is a common development, test, and production infrastructure comprised of a corporate database, a corporate warehouse, integrated finance and accounting processes, and other varied environments, building blocks, and system standards. This corporate information infrastructure will establish a shared corporate information environment based on DII guidance, DoD JTA standards, and DoD data standards. It will evolve to become the future information environment for DoD financial services.

INFRASTRUCTURE REQUIREMENT - ORGANIZATION

Description	<p>In the Department of Defense, the Military Departments conduct the functional operations, and the Defense Agencies provide support for functions common to the Military Departments. At present, the Department's operating structure is organized along two levels of finance and accounting. The Military Departments and the Defense Agencies perform the primary or source-level finance and accounting functions, while the DFAS performs the reporting of finance and accounting events.</p> <p>As finance and accounting functions transitioned to the DFAS, the Department modified the organizational infrastructure. The modified infrastructure should provide information and resources necessary to conduct effective and efficient financial management operations. This section identifies how the transition to the Department's finance and accounting operating organization, infrastructure, and physical structure promote more effective and efficient operations.</p>
Current Status	<p>The Department has reorganized the way it operates its finance and accounting. In 1991, the DFAS was established to reduce the cost and improve the overall quality of DoD financial management through consolidation, standardization, and integration of finance and accounting procedures, operations, and systems.</p> <p>The finance and accounting functions were divided between the DFAS and the Military Departments and the Defense Agencies. The DFAS processes transactions, prepares the financial statements, and charges each Military Department and Defense Agency a fee for its services. The Military Departments and the Defense Agencies retained certain primary-level, programmatic finance and accounting functions, as these were determined as being best performed at the installation and agency level.</p>
Strategies	<p>The Department's focus is to provide the setting and tools necessary to perform finance and accounting operations effectively and efficiently. The following strategies are designed to improve the Organizational function:</p> <ul style="list-style-type: none">• strengthen the partnership between the Department and other federal agencies• improve material work facilities• strengthen the partnership between the core financial management and the program financial management communities

- provide financial management training to enhance performance and quality, and improve efficiency
- provide policies and procedures that are clear, simple, direct and thorough, and ensure compliance with existing laws and regulations
- develop mentoring programs to include professional development, and active communication channels

Current Initiatives

The Department has multiple initiatives in place designed to promote an efficient and effective finance and accounting organization.

Initiative	Objectives
Operating Location (OPLOC) Business Process Reengineering (BPR)	A BPR study of the DFAS Norfolk Operating Location on all the business processes was conducted to make recommendations on bill payments, cross disbursing, problem disbursements, and report generation, analysis, and reconciliation.
Columbus MILCON (COMILCON)	DFAS Columbus is building a state-of-the-art operations center to consolidate operations and reduce facility-operating costs.
Operating Location Military Construction (OPMILCON)	The Operating Location Military Construction (OPMILCON) initiative provides upgraded facilities for the Defense Finance and Accounting Service (DFAS) Operating Locations (OPLOCs) where needed to facilitate consolidation.
Transportation Commercial Activities (TRANS-CA)	The TRANS-CA initiative compares the cost of performing transportation accounting functions between Department of Defense (DoD) employees and prospective contractors, and to determine the most cost effective and productive means of accomplishing the work requirements.

INFRASTRUCTURE REQUIREMENT - COMPUTER SECURITY AND YEAR 2000

Description Computer security and internal controls are important aspects of a reliable finance and accounting system. The Department experiences an estimated 250,000 computer attacks by computer hackers every year. DoD computer controls need to provide adequate protection against these attacks for significant financial functions (e.g., payroll, personnel, disbursements, and inventory).

System errors can be fatal in complex computer systems, and many of the systems in the inventory of the Department rely on two-digit fields for reporting dates. As a result, many of the Department's systems will be unable to differentiate between the years 1900 and 2000, and sequencing of dates, date arithmetic, and date logic could be adversely affected.

Current Status The year 2000 (Y2K) problem has the potential to affect all functional areas within the Department. The Department uses computers to perform or support performance of all its functions including finance, personnel, health care, contract, and logistics management. Computers perform or support performance of strategic/tactical operations to mobilize, deploy, and maneuver forces and their weapon systems. Computers also support intelligence, surveillance, and security efforts.

Fixing the Y2K problem poses an enormous technical and management challenge. The Department's goal is for DoD mission critical systems to process data and date-related information correctly, before, through, and after January 1, 2000.

Current Initiatives The Department has multiple initiatives in place to improve the Computer Security/Y2K function.

Initiative	Objective
College and University Financial System (CUFS) Y2K	The Uniformed Services University of the Sciences currently has a Y2K initiative underway to ensure that the CUFS system is Y2K compliant.

**Current
Initiatives**

continued

Initiative	Objective
Defense Finance and Accounting Service (DFAS) Year 2000 (Y2K)	As a DFAS initiative, Year 2000 is intended to ensure that all DFAS applications including hardware, executive software, and application software are Y2K compliant.
Defense Logistics Agency (DLA) Y2K	DLA has several programs in place to ensure Y2K compliance by December 31, 1999.

SECTION V

SPECIAL INTEREST ITEMS

SPECIAL INTEREST ITEMS

The National Defense Authorization Act of 1998 directed the Department to address 12 specific items of interest. Information on these 12 items is provided in this section. Where the response to more than one item contained overlapping information, items were combined. There is no response to item 12 because there are no other issues not already covered in this section.

The initiatives referred to in this section are each explained in Volume II. Volume II provides the specific details requested in the legislation for the Special Interest Items (i.e. statements of objectives, performance measures, schedules, and individual and organizational responsibilities).

FINANCE AND ACCOUNTING SYSTEMS

Item 1 - "A description of the costs and benefits of integrating the various finance and accounting systems of the Department of Defense and reducing the total number of such systems, together with the Secretary's assessment of the feasibility of implementing such an integration."

Item 5 - "A description of the status of efforts being undertaken in the Department to consolidate and eliminate redundant or unneeded finance systems, and redundant or unneeded accounting systems."

Systems Consolidation

Finance systems process payments to DoD personnel, retirees, annuitants, and private contractors. Accounting systems record, accumulate and report financial activity. The myriad of prior, duplicative financial management systems is being substantially reduced to decrease cost and achieve standardization. The Department's strategy aims to eliminate unneeded systems by consolidating finance and accounting functions to a select set of migration systems. The Department has selected the best financial management systems in its inventory and is modifying them as necessary to meet DoD-wide requirements and implementing them as migration systems by business area for use throughout the Department.

Selected migration systems may be used until the transition is made from the current systems to standard, integrated systems. Using migratory systems should facilitate more rapid implementation of a fully integrated standard suite of finance and accounting systems. All of this should improve both the quality and consistency of financial information.

The Department is implementing migration systems in three concurrent stages. At the conclusion of the final stage, the process is expected to culminate in a financial management system comprised of a suite of standard integrated applications that are compliant with the Chief Financial Officers (CFO), Act of 1990 as amended, and Year 2000 (Y2K) requirements.

- Stage 1: Improve Core Accounting Systems
- Stage 2: Integrate Accounting Systems
- Stage 3: Integrate and Interface Accounting and Business Environments

Stage 1 Improve Core Accounting Systems

During this stage, systems are consolidated along DoD Military Department and Defense Agency lines. The Department's focus is to improve system functionality to comply with the CFO Act and Y2K requirements along with

standardizing processes and data. This effort includes implementing the United States Standard General Ledger (U.S. SGL) and the standard Budget and Accounting Classification Code.

**Stage 2
Integrate
Accounting
Systems**

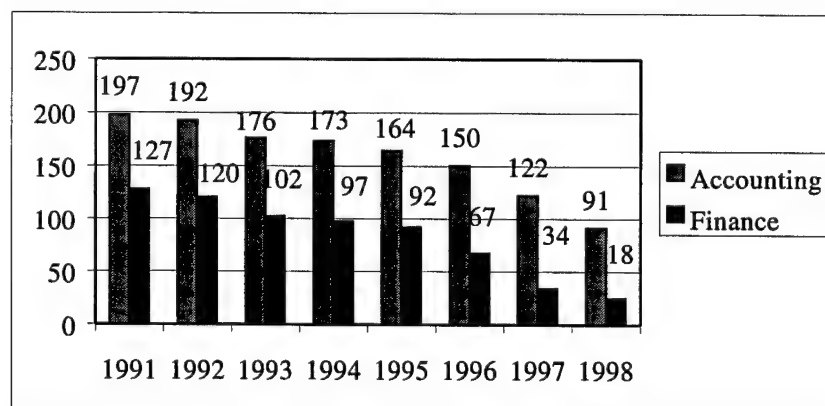
This stage integrates the accounting systems architecture through the development of a corporate database that links accounting applications and performs functions that impact both finance and accounting systems (e.g. prevalidation, cross disbursements).

**Stage 3
Integrate/Inter-
face Accounting
and Business
Environments**

This stage requires a complete transition to the DoD-wide system architecture that will interface with the Department's non-financial business systems in a shared data environment to achieve accountability and auditability to source data. The systems consolidation effort will use an incremental strategy that systematically reduces the number of finance and accounting systems and migrates to the target architecture.

**Finance and
Accounting
Systems
Consolidation**

As shown in Figure V.1, the Department is reducing the number of its finance and accounting systems. The number of DoD finance systems has been reduced from 127 in FY1991 to 18 in September 1998, with annual savings of \$77 million. The Department intends to reduce the number of DoD finance systems to a total of nine. The Department has reduced the number of accounting systems from 197 in FY1991 to 91 in September 1998. By FY2003, the Department will reduce the number of accounting systems based on business-case analyses to no more than 23.



**Figure V.1 Reduction in DoD Finance and Accounting Systems,
FY1991 – FY1998**

Progress to Date

The Department has made substantial progress in consolidating and eliminating redundant or unneeded finance and accounting systems as a result of the following initiatives:

- consolidated retiree and annuitant pay operations onto one standard system - the Defense Retiree and Annuitant Pay System (DRAS), eliminating eight systems with a resulting cost reduction of \$10 million per year
- selected and developing the Defense Procurement Payment System (DPPS) as a standardized DoD contract and vendor payment system; it will replace the nine current vendor pay systems, as well as the Mechanization of Contract Administration Services (MOCAS) system
- implemented a standard system and consolidated operating locations for out-of-service debt management functions; five systems were eliminated, resulting in a \$1 million per year reduction in systems costs while the consolidated operation resulted in \$8.5 million annual savings
- standardized travel computation software, which was implemented DoD-wide
- consolidated DoD printing of savings bonds from over 190 bond issuing sites, using 20 different systems, to two DFAS Centers using only one system; the Department also has a standard automated process for safekeeping savings bonds for active duty military personnel
- as of May 1, 1998, all civilian pay accounts were transferred to the DoD standard system for processing civilian pay - the Defense Civilian Pay System (DCPS); this initiative allowed the Department to close 348 payroll offices and eliminate the original 27 civilian pay systems reducing the monthly cost of maintaining civilian pay accounts by over 35 percent between FY1995 and FY1997
- as of September 30, 1997, the Department eliminated 17 of the 22 former military pay systems
- as of September 30, 1998, the Department reduced the number of accounting systems from 197 in FY1991 to 91 which is a 54 percent reduction
- as of September 30, 1997, the savings from the financial systems standardization effort totaled \$339 million
- by the end of FY2001, the Defense Joint Military Pay System (DJMS) is expected to be implemented and all service members paid by either DJMS or the Marine Corps Total Force System (MCTFS); today 78 percent of military personnel paid by the DJMS and the MCTFS; this initiative will eliminate 22 pay systems

Cost Savings

The consolidation, standardization, and modernization of the Department's financial management systems and feeder systems, in accordance with the

CFO Act, is meant to provide accurate, timely, and meaningful financial management information to decision makers and to produce auditable financial statements. These efforts are also producing intangible benefits such as improved processes and significant cost savings. Figure V.2 highlights these savings.

Initiative	In Millions						
	FY93	FY94	FY95	FY96	FY97	FY98*	FY99*
A-76 study	N/A	N/A	N/A	\$ 0	\$ 3	\$ 8	\$ 10
EC/EDI	N/A	N/A	N/A	5	15	18	25
Consolidation	N/A	N/A	\$ 5	26	52	77	101
Accounting Systems	N/A	N/A	19	39	51	42	43
Financial Systems	\$ 19	\$ 32	32	70	77	87	98
Process Improvements	N/A	72	128	144	216	216	216
Total	\$ 19	\$ 104	\$ 184	\$ 284	\$ 404	\$ 448	\$ 493

* Projected

Figure V.2 Yearly Savings from DoD Financial Management Initiatives

Costs and Disadvantages of Integrating Financial Systems

Although efficient and effective systems integration will yield a number of noteworthy benefits and advantages, such benefits and advantages are not achieved without associated costs. Some costs and disadvantages associated with integrating disparate systems are:

- costly new interfaces between systems must be planned, designed, tested and implemented
- data processing in systems that are integrated must be synchronized
- data structures need to be standardized across integrated systems
- maintenance of shared data must be timely and well executed since many related (integrated) systems may be affected
- a much greater emphasis must be placed on configuration management than was placed in the stove-piped systems environment
- data must be standardized across the integrated network, and data names and meanings need to be the same in each system
- business processes, procedures and practices must be modified commensurate with the integrated network
- operating policies and systems manuals need to be uniformly updated, and
- employees require training to understand new/modified systems

Summary

This strategy establishes measurable and achievable objectives at each stage of the migration, and minimizes the risk of overextending limited functional and technical expertise and resources. This strategy also better ensures that

the Department achieves compliance with the CFO Act and Y2K requirements, as soon as feasible, while moving toward the target architecture. The Department is committed to achieving the consolidation goals outlined above and believes that the target architecture will employ sound business practices throughout the financial management community. The cost of implementing the necessary changes is significant, and further investment is needed.

DATA ACCURACY AND INTERNAL CONTROL WEAKNESSES

Item 2 - "Identification of problems with the accuracy of data included in the finance systems, accounting systems, and data feeder systems that support financial functions of the Department of Defense, together with a description of the actions that the Secretary can take to address those problems"

Item 3 - "Identification of the weaknesses in the internal controls of the systems referred to in the paragraph above, together with a description of the actions that the Secretary can take to address those weaknesses."

Identification of Data Problems

The most identifiable data problem in the Department's financial management systems is the lack of standardization of data elements. Data standardization is critical as the Department optimizes its use of migration systems and moves toward sharing common processes and data under an open system architecture. The best way to mandate that everyone use common data elements is to include a clear, common understanding of the meaning of those elements. In the past, the Department had over 320 finance and accounting systems that used some 100,000 discrete data elements. As of September 1996, the Department identified that its finance and accounting systems need only about 500 standard finance and accounting data elements for the reduced number of systems.

A data administration program is in place and the DoD-wide data dictionary is being populated with standard financial management data elements. Long-term finance and accounting requirements are documented and data and process models are developed. DoD personnel continue to work closely with other government and private sector groups to standardize data and formats of mutual interest and, thereby, promote increased use of capabilities such as electronic invoicing and electronic transfer of payments. Some of the more important initiatives under way to migrate to standard data elements are discussed in detail below.

Budget and Accounting Classification Architecture

The Budget and Accounting Classification Architecture concept (which incorporates the Budget and Accounting Classification Code (BACC)) continues to receive increased management attention and emphasis from the Department. The USD(C) approved the BACC structural data elements in September 1994.

The BACC provides a single coding structure for uniformly capturing and recognizing data and allowing systems to handle data consistently. The Department mapped the BACC to the Defense Data Dictionary System (DDDS) and the DoD Standard Data Elements contained in the DoD Finance and Accounting Activity (Process) Model (DFAPM) as shown in figure V.3. The BACC structure is a prerequisite for any standard DoD finance and accounting system. The BACC structure stipulates that systems must be:

- change responsive
- focused on consistently meeting fiduciary reporting requirements,
- able to identify organizations, documents, and transactions
- uniformly supportive of financial management information requirements for all organizations

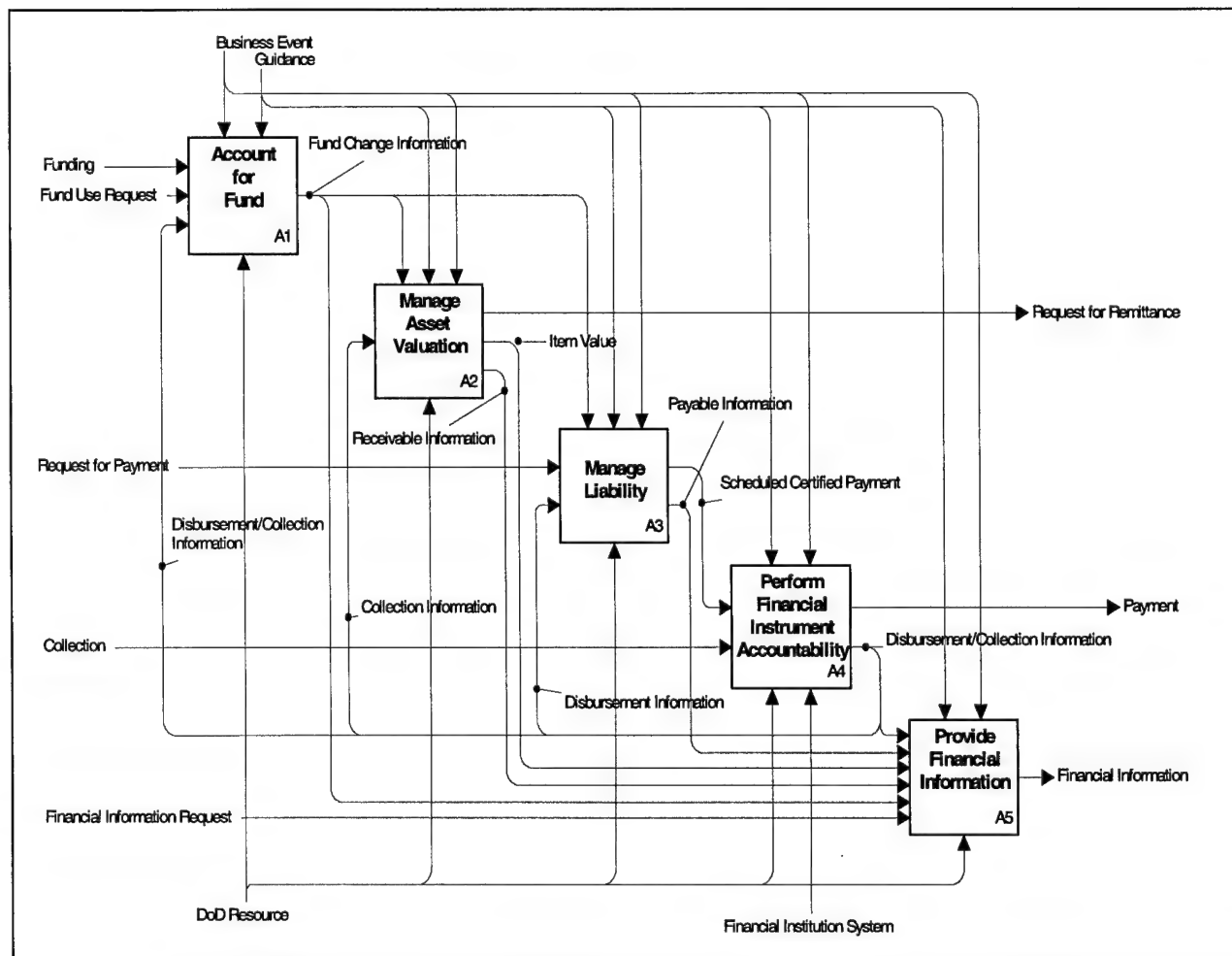


Figure V.3 DoD Finance and Accounting Activity (Process) Model

The BACC simplifies the task of standardizing systems and interfaces between systems at all DoD organizational levels by allowing for the use of a single data structure and the capability to edit for acceptable values.

A tangible benefit of eventual DoD-wide utilization of the BACC is increased ease in the Department's transition to standard systems. Also, one central office will control and maintain the BACC, ensuring the validity of content and ease of updates to the DoD Financial Management Regulation (FMR) 7000.14-R. Centrally BACC-maintained content will also serve as input for the generation of Global Edit Tables (GET). The BACC, once fully implemented, will also facilitate electronic commerce and electronic data interface (EC/EDI), reduce unmatched disbursements, and streamline cross disbursing.

Global Edit Tables

The GET project was created to provide a single data validation reference capability within the DoD finance and accounting network for accumulating and disseminating standard fiscal code (the BACC). The GET will be an integral part of the corporate database, providing valid fiscal code to DFAS legacy systems (e.g., STARS, DJAS, etc.) and corporate applications (e.g., DPPS, DSDS, etc.). In this capacity, the GET will contain legacy and BACC values as well as crosswalks from legacy to BACC. The initial GET was made available on the DFAS Internet homepage in October 1997 with population of the BACC Treasury Code values. The remaining BACC elements as well as program specific elements (PSE) will be populated during FY1999. Centralization of legacy GET values will also occur in FY1999.

Corporate Database & Corporate Data Warehouse

The Department's corporate information infrastructure specifies that all new financial application system developments and reengineering efforts built will use: (1) the corporate information infrastructure, (2) the Defense Data Dictionary System (DDDS) registered data elements, and (3) the integrated architecture defined requirements for a data-sharing repository. The repository is defined jointly as the corporate database and the corporate data warehouse.

The corporate database will contain standard data, maintain an audit trail to the data source, and be joint technical architecture (JTA) compliant. The corporate warehouse will contain standard and non-standard data extracted from the corporate database and other systems to provide a standard suite of data conversion and analysis tools compliant with the JTA. The Department is building a common DoD development, test and production infrastructure to support these efforts and other data-sharing requirements. This infrastructure includes all Defense Corporate Information Infrastructure

(DCII) components and the tools, applications, and physical repositories necessary to sustain the corporate database and corporate data warehouse. The DCII will serve the data storage and management needs for all new and reengineered DoD application systems.

Legacy and migration systems currently using non-open mainframe-based operating environments will continue to operate within these environments until it is economical to reengineer or replace them. Prior to replacement, these systems may be converted to operate within an optimized standard operating environment (SOE) established by the Defense Information Systems Agency Defense Megacenters (DMC). All new developments will be built to operate with the DCII, and when systems are reengineered or replaced, these systems will also operate within the DCII. Over time, all Department application systems will be incorporated into the DCII, thereby eliminating all non-standard storage of data, duplicate applications, and accounting and finance problems caused by the current non-standard data environment.

**United States
Standard
General Ledger
(U.S. SGL)**

The Office of Management and Budget (OMB) requires federal agencies to implement the U.S. SGL in their financial systems. The U.S. SGL, which is maintained, updated, and published by the Department of the Treasury, must be implemented by federal agencies at the transaction level. Agencies are permitted to supplement their application of the U.S. SGL to meet agency-specific information requirements. However, agency SGLs must maintain consistency with the U.S. SGL.

Program feeder systems that process transactions in accordance with the SGL transaction rules, send them to the core financial management system for appropriate posting. They also provide for sufficient traceability from the general ledger balances to the source transactions comply with the SGL at the transaction level.

The Department has mandated the implementation of the U.S. SGL and processing of transactions in accordance with SGL transaction rules in its financial management systems.

**Internal
Controls**

The Department's automated financial management systems were designed over the past three decades to primarily pay military service personnel, civilians, and vendors prior to requirements for auditable financial statements. Since these systems were not designed as integrated systems for finance and accounting functions, several factors have led to problems with internal controls, data accuracy, and legislative compliance requirements:

- finance and accounting systems lack a single standard transaction driven general ledger, which is an essential ingredient for sound and reliable financial reports
- the use of non-integrated databases often did not provide the reliable integration or interfacing of information from other (non-financial) functional areas, such as personnel, acquisition and logistics, with the Department's finance and accounting systems
- current finance and accounting systems often are not sufficiently flexible to respond rapidly to changing customer bases, legislative changes, contingency operations, management initiatives, requirements or other changes
- finance and accounting systems often do not include automated indicators that measure or are linked to costs, performance measurements, or other output measurements
- established policies and procedures have not been consistently implemented and followed throughout the Department

In addition, inadequate internal controls and undocumented audit trails also contributed to unreliable financial data and exacerbated significant procedural and systemic deficiencies. Weaknesses include the Department's difficulties with:

- consistently valuing and reconciling physical inventories to financial account balances
- accurately reporting the value of property, plant and equipment
- reporting amounts in a consistent and timely manner

These weaknesses are due largely, but not entirely, to long-standing systems problems. The continuing systems problems remain a serious challenge to the Department, and realistically will require a number of years to correct. Audits also have shown that some actions, short of substantive system changes, can be taken to improve operations. Many of those actions either are planned or are ongoing to redress current system deficiencies.

**Internal
Controls
Corrective
Action**

The diversity and complexity of the Department's business affairs exacerbate the challenge of bringing the Department into full compliance with legislative requirements and securing internal control of financial management systems. The Department's ability to achieve auditable financial statements is dependent upon the application of adequate resources (i.e. personnel, time, and funding) to resolve existing problems. However, modifying the Department's financial management systems and processes is a costly proposition. While the changes planned will make the systems more efficient, thereby resulting in less costly financial system operations, additional functionality is required and the increased cost of such added

functions will offset savings in the beginning. Once these needed improvements are in place, the Department's financial operations are expected to yield financial information that is of a higher quality and provide greater benefits for the monies invested.

To aid in achieving these goals, the Deputy Secretary established the Working Capital Fund Policy Board to oversee actions and milestones for the improvement of the working capital funds (WCF). The Policy Board monitors WCF implementation and operation, including policies, rates, cash flow analysis and criteria, and reviews business area performance. Further, the USD(C) chairs a DoD Financial Management Steering Committee which oversees the development of functional requirements, facilitates the implementation of policy recommendations, and addresses financial management systems and practices, other than those involving the WCF.

The Department will gain significant benefits from standardizing and reducing the number of its financial management systems. The cost of maintaining a few hundred systems will be reduced to the cost of maintaining fewer enhanced, standardized systems. The quality of financial information should be improved significantly, providing managers with the relevant data needed to manage the Department's business affairs. Availability of information to managers should be more timely, thereby allowing managers to use the latest information in resolving complex problems and issues. Additional benefits accruing to the Department should result from the facilitated use of Electronic Funds Transfer (EFT) and Electronic Data Interchange (EDI). When fully implemented, functions such as vendor invoicing, contract payments, travel settlements, and deposit of military and civilian pay will be transferred electronically.

Summary

In summary, the Department considers data accuracy and internal control deficiencies in its current financial systems to be priority matters. The Department's senior leadership is focusing on fixing these problems. The development of the corporate database should eliminate the need to develop further data standards, crosswalks, conversions, and interfaces for each system. This will increase the data integrity of all systems and provide financial managers with timely and accurate financial information.

PROBLEM DISBURSEMENTS

Item 4 - "A description of the actions that the Secretary can take to eliminate negative unliquidated obligations (NULO), unmatched disbursements (UMD), and in-transit disbursements (INTRANST) and to avoid such obligations and disbursements in the future."

Current Elimination of Problem Disbursements

A problem disbursement occurs when an expenditure has not been reconciled with official accounting records. In June 1993, when the Department began intense efforts to resolve these situations, the Department had a total of \$34.3 billion in UMD/NULO/INTRANST. In February 1997, the Department established a new office to focus and direct DoD-wide efforts to identify the types of disbursement transactions resulting in UMDs, INTRANSTs, and NULOs, isolate causes and reasons and develop viable alternatives for reducing and eliminating the underlying conditions. By August 1997, the inventory of UMD/NULO/INTRANST had been reduced to \$8.2 billion in absolute NULO/UMD and \$4.2 billion in net INTRANSTs.

Although the Department's problem disbursements have been a serious issue, there is no basis for concluding that the expenditures involved were improper. Each expenditure was made only after a Department official confirmed receipt of the subject goods or services and ensured that the payment was made in accordance with a valid contract. That notwithstanding, the Department has an extensive business process reengineering (BPR) effort under way to improve its disbursement process.

Short Term Strategies for the Elimination of Problem Disbursements

The following are specific initiatives the Department is using as part of a short-term strategy for eliminating problem disbursements.

- On-Line Payment and Collection (OPAC) – This Department of Treasury system has been expanded throughout the DFAS for processing reimbursable bills. OPAC electronically moves the payments and collections between disbursing officers' accounts with sufficient accounting information to allow for manual posting of the transaction as "for self" transactions. These bills are now processed into the accounting records within a few days instead of months.
 - Transaction for Other (TFO) Cells – This initiative is being implemented at each DFAS operating location (OPLOC). With this process improvement, the payment office cited on the contract receives the invoice from the contractor and accesses the bill paying system(s) supporting the lines of accounting associated with the invoice. The
-

process permits payments to be processed by fewer entities greatly increasing the accuracy of each payment and corresponding entry in the accounting system.

- Centralized Disbursing – Under this process, the disbursing function is consolidated from multiple disbursing offices to one site per DFAS Center. The central disbursing site receives files electronically from the bill paying offices. Disbursements are created and the related accounting transactions are separated by site and files transferred to the applicable accounting system. This procedure eliminates intra-service and improves the timeliness of expenditure reporting. The DFAS Indianapolis Center has partially implemented this process. Eventually centralized disbursing is expected to be fully implemented across the DFAS.
- Collection and Accounting version dated 7/15 (CA715) – CA715 software enables disbursing offices to directly input the Navy and the Marine Corps accounting data into the Financial Reporting System (FRS). This eliminates the collection and processing of hard-copy vouchers, as the CA715 processing site captures and transcribes the entire long line of accounting for the Navy and the Marine Corps activities. After editing for distribution and accounting propriety, the data is processed directly into the accounting system.
- Defense Cash Accountability System (DCAS) – DCAS, which will allow data to be automatically transferred to the applicable accounting system, is being implemented in phases. DCAS, projected to be implemented by the end of 1998, will expedite the timeliness of expenditure reporting.
- Prevalidation – This procedure ensures, prior to the disbursement, that an obligation exists and that the amount is sufficient to cover the proposed disbursement, preventing NULOs and UMDs. Thresholds for applying prevalidation have been established at each DFAS center.

**Long Term
Strategies for
the Elimination
of Problem
Disbursements**

To fully eliminate problem disbursements, the Department's plan consists of the following strategies:

- gradually lower the prevalidation threshold until all payments are prevalidated
- provide disbursement voucher information via the DoD intranet for access and recording by accounting stations

- pilot test the matching of payments and accounting data from the current financial management systems using data warehouse techniques
 - record all accounting events within the corporate database, providing immediate access to all entitlement, disbursing, and accounting stations
-

Summary

Although the Department's problem disbursements have been a serious issue, it is not an issue of improper expenditures. The Department's problem disbursements resulted because many of its expenditures were not reconciled with its official accounting records. With initiatives such as prevalidation, the Department has significantly reduced its problem disbursements. However, the Department realizes it must continue to resolve the issue. It is implementing both short and long-term solutions to improve the disbursement process as the means for eliminating the issue of problem disbursements.

INTEGRATION, CONSOLIDATION AND ELIMINATION OF DATA FEEDER SYSTEMS

Item 6 - "A description of efforts being undertaken to consolidate or eliminate redundant personnel data systems, acquisition data systems, asset accounting systems, time and attendance systems, and other data systems of the Department."

Item 7 - "A description of efforts being undertaken to integrate the data feeder systems of the Department with the finance and accounting systems of the Department."

Identification of Problems

Systems that support other functional areas, including acquisition, medical, logistics and personnel, originate and process a significant amount of financial data that is ultimately reported on financial statements. Before the Department can produce financial statements that are validated and auditable to the source, the Military Departments and the Defense Agencies will need to modify these systems to record, maintain, and manage financial data in accordance with federal financial management requirements. To begin this collaborative effort, the Department is working with the Military Departments and the Defense Agencies to define roles and responsibilities concerning changes to systems that record financial data.

Department Initiatives to Integrate "Feeder Systems" with Finance and Accounting Systems

To assist all DoD financial systems managers in planning, designing, modifying, and implementing financial management systems to comply with the myriad of financial requirements, the Department published in January and April 1998, A Guide to Federal Requirements for Financial Management Systems. The guide (commonly referred to as the "Bluebook") serves as a roadmap to federal requirements by major functional areas and includes references to the authoritative sources for the requirements. The Bluebook not only includes requirements for finance and accounting systems, but also includes requirements applicable for the Department's feeder systems, those financial management systems (e.g. property, inventory, and personnel systems) that provide financial data directly or indirectly to the Department's accounting systems. The Bluebook is available via the World Wide Web at: <http://www.dfas.mil/library/bluebook.pdf>.

In conjunction with the publication and dissemination of the Bluebook, the Department initiated a DoD-wide effort to identify, inventory and report to OMB its critical financial management systems. OMB Circulars A-11 and A-127 require that the Department annually report to OMB its core financial systems and other systems that are "critical" to DoD-wide financial

management, control, and reporting. During the past year, the DFAS has worked closely with the Military Departments and the Defense Agencies in identifying their critical feeder systems. In addition, the DFAS drafted major revisions to DoD FMR Volume I, Chapter 3, that, when implemented, will clearly delineate and affix organizational responsibilities for ensuring that financial management systems comply with applicable federal requirements. Additionally, the Department is making significant progress in integrating feeder systems with finance and accounting systems:

- the Department created a Systems Inventory Database (SID) to record and store information on finance and accounting systems, including all feeder systems interfaces; all critical feeder systems are scheduled to be stored in the SID
- the Department has published a draft Budget Accounting Classification Code (BACC) in December 1997, which provides the fiscal coding structure and code policy to a wide variety of DoD organizations that interact and support DoD functions; the BACC is the official DoD framework for interrelating planning, programming, budgeting, execution (accounting) and manpower control through a standard classification of Army, Navy, Air Force, Marine Corps and the Defense Agency activities and functions into standard lines of accounting; when systems are modernized, the data will comply with the BACC standard
- the Department has a massive systems consolidation effort underway; the Department is on target to reduce its FY1991 324 finance and accounting systems down to 32 by FY2003; this consolidation will significantly reduce the number of systems with which to interface
- the Department is designing its systems architecture so that all data will be centralized in the Department's corporate database; the corporate database will also contain standard translators from non-standard legacy and feeder systems; by placing all translators in a common location, the burden of controlling non-standard interfaces will ease significantly

**Army
Initiatives to
Integrate
"Feeder
Systems" with
Finance and
Accounting
Systems**

Systems modifications are being implemented across the spectrum of Army activities, which include elimination, or incorporation of systems. These actions are being taken both as self-initiated improvement initiatives and in response to audit findings. A long-standing weakness concerning development of an integrated, transaction driven system to support functional and financial requirements is a major driving force. The modifications also address a variety of other areas requiring improvement to meet CFO requirements and improve data reliability. These areas include improving data accuracy, reengineering business practices, and standardizing systems.

The initiatives detailed below represent major systems improvement activities both by the Army alone or in conjunction with the DFAS.

CFO Strategic Plan	The Army is developing an Army-wide strategic plan for the implementation of the CFO Act. The purpose of this initiative includes determining methods for improving business processes and integrating functional and financial systems. The ultimate goal is to obtain an unqualified audit opinion on the Army's financial statements.
Continuing Balance System Expanded (CBS-X) Improvement Plan Phase 2	The CBS-X was designed primarily as the Army asset database for major items of equipment. The Army is currently making improvements to the system to achieve general process improvements and in response to audit findings. These improvements are primarily directed toward improving data accuracy. CBS-X will be modified to allow for proactive correction from the field and for automated reconciliation of data with property books. This will allow more frequent reconciliations and will require less manpower. A number of other changes are expected to result in vastly improved accuracy of data and to allow a compatibility (accuracy) percentage match between CBS-X and property books to meet the Army's 98 percent goal.
Army Personnel and Pay Integration – Standard Installation and Division Personnel System (SIDPERS)	In response to direction from OUSD(C), the Army is in the process of integrating personnel and pay processes. To accomplish this initiative the Army is making enhancements to SIDPERS to allow single input to a soldier's personnel files that would impact both the personnel system and the finance system. Completion of this initiative will result in maintaining accountability for field and records of transactions at the input location and will minimize the number of input locations for a single transaction. Anticipated results of this initiative will be synchronization of current databases, increased standardization, and dependability. Anticipated results of this initiative will be synchronization of current databases, increased standardization, and dependability. Military personnel and pay management functions will transition to the future Defense Integrated Military Human Resource System (DIMHRS) being developed by the Department.
Global Combat Support System – Army (GCSS-A)	GCSS-A is a long-term improvement project which will be the business automation enabler for the Army's combat service support (CSS) mission. It supports Force XXI and is expected to be the catalyst for the CSS automation initiatives, which support the Army After Next. GCSS-A supports the CSS functions of manning, arming, fixing, fueling, moving, and sustaining soldiers and their systems. The Army is developing GCSS-A concurrently in three tiers. Tier 1 refers to the system at the tactical level, Tier 2 at the wholesale level, and Tier 3 at the Joint level. GCSS-A is expected to provide vastly improved functionality and eventually replace ten current systems.

**Navy
Initiatives to
Integrate
“Feeder
Systems” with
Finance and
Accounting
Systems**

The Department of the Navy (DoN) focused on further refining the DoN strategy to eliminate and consolidate non-financial feeder systems within each functional area, where possible, and to develop an approach toward achieving compliancy with the Federal Government accounting and reporting standards. Non-financial feeder systems were developed by various functional areas to meet their day-to-day management requirements and not as an attempt to support financial statement preparation, as is the current practice. It was recognized that significant changes to some of these systems would be necessary in order for these systems to be compliant with the standards. Therefore, a key element of the DoN strategy is to address how best to achieve the information needs for the financial statements while not incurring significant cost and disruption to the extant systems. This is especially true in those cases, such as systems used for reporting of National Defense Property, Plant and Equipment (PP&E), where the accounting standards are under discussion and significant changes to the standard may result. In other cases, such as General PP&E and time and attendance source data automation, the DoN will be consolidating and eliminating stand-alone systems performing similar functions. The following provides the initiatives currently ongoing within the DoN to consolidate and/or eliminate non-financial feeder systems.

**General
Property, Plant
and Equipment
Accountability
Project**

This initiative will consolidate for accountability purposes and financial accounting and reporting purposes the General Property, Plant and Equipment (PP&E) used or maintained by Navy and Marine Corps Non-Working Capital Fund Activities. The initiative, which is to field the Defense Property Accountability System (DPAS), will include all General PP&E except land, buildings, structures, and utilities. DPAS will replace the following Navy PP&E systems: (1) DAO Great Lakes System used by Pensacola, Charleston, San Diego and Oakland Operating Locations; (2) DAO Pearl Harbor used by Pearl Harbor and San Diego Operating Locations; (3) DAO Norfolk used by the Norfolk Operating Location; and (4) the Equipment Reporting Registration and Tracking System used by the Naval Security Group. DPAS will also provide property accountability for the Marine Corps.

**Assessment of
DoN Time and
Attendance
Source Data
Automation
Systems**

This initiative will evaluate the various time and attendance source data automation systems (T&A/SDA) used within the DoN. The initiative will examine and evaluate the various T&A/SDAs to determine whether systems should be consolidated or eliminated based upon such factors as the number of accounts, system processing capabilities, and business processes.

**Evaluation of
the DoN Real
Property System**

This initiative will examine the feasibility of modifying and/or enhancing the Naval Facility Asset Database (NFADB) which is used for DoN facility management. The assessment will determine whether the system may be cost effectively modified to provide the information requirements of the Federal Accounting Standards Board's guidelines or augment it with another system or application as the single DoN repository for real property.

Assessment of National Defense PP&E	This initiative will examine the feasibility of creating a data warehouse application to serve as a repository for the information needs for the financial statements from the various disaggregate systems used by the functional organizations to control and manage their areas of responsibility. The data warehouse will provide a means to accumulate and maintain the data requirements without incurring the significant cost and disruption that would occur by modifying the current systems.
-------------------------------------	---

Assessment of Logistics/Inventory Systems	This initiative will examine the existing inventory management systems used by the DoN to define approaches to meet the requirements of <u>A Guide To Federal Requirements For Financial Management Systems</u> . This initiative will also consider opportunities for standardizing or consolidating like functions.
---	---

Assessment of Navy Working Capital Fund (NWCF) Non-Financial Feeders	This initiative will identify all non-financial feeder modules to ensure required information as defined in <u>A Guide To Federal Requirements For Financial Management Systems</u> is being passed to the financial accounting module owned by DFAS. This initiative will also identify opportunities for non-financial feeder system consolidation or standardization within the NWCF thus eliminating duplicative systems.
--	---

Assessment of Personnel Systems	This initiative will examine the current processing of source data automation from the military personnel management systems both active and reserve to determine areas in need of modification to comply with <u>A Guide To Federal Requirements For Financial Management Systems</u> .
---------------------------------	--

Air Force Initiatives to Integrate "Feeder Systems" with Finance and Accounting Systems	As part of an effort to monitor and facilitate feeder system improvements Air Force financial management requested Air Force Audit Agency (AFAA) assistance with improving feeder systems. The AFAA embarked upon a three-year project to review the feeder systems, identify the deficiencies, and make recommendations for improvements. Of the 41 critical feeder systems, the AFAA completed work on 20 systems and is in the process of completing audit work on 9 more. The remaining have been dropped from consideration due to plans for replacement. As a follow-on-effort, the AFAA is a key team member, providing Management Advisory Services for new systems under development, such as the Automated Civil Engineer Systems (ACES), the Integrated Logistics System-Supply (ILS-S), and the Stock Control System (SCS)
--	--

In the fall of 1995 the Air Force established an office to foster financial reform. This office is at the forefront of financial management issues such as improving business procedures, complying with mandated legislation and audit findings, and supporting the transition to modern automated financial systems.

A key accomplishment of the office was the identification of 60 critical systems that are responsible for providing the majority of financial statement data. The Air Force and the DFAS agreed on these critical systems in September 1997. The identification of these systems will aid the Air Force in their feeder system consolidation and elimination efforts. Examples of feeder system integration initiatives are described below.

Automated Business Services System (ABSS)	The ABSS is an EC/EDI system that includes the capability to generate electronic forms and funding documents, user specific pick screens/lists for form data population, automatic routing for internal and external coordination, electronic signature, automated commitments, and automated upload of standard contracting systems. It is expected that the single data entry capability provided by ABSS will significantly reduce the occurrence of problem disbursements, reduce paper processing, decrease cycle times, enhance document traceability, and facilitate more efficient reconciliation by the Air Force and the DFAS.
Integrated Logistics System-Supply (ILS-S)	The ILS-S will be the Air Force standard base level inventory accounting and ordering management system. The goal of ILS-S is to provide reliable weapon system availability through stock availability and time definite delivery of material. The system will also provide limited financial management to support the Supply Management Activity Group (SMAG). The ILS-S will provide total asset visibility and positive asset control for material in the warehouse, in-transit, in maintenance repair, and in the custody of using organizations while deployed. The ILS-S is the first system to be built using the GCSS-Air Force contract and concepts.
Automated Civil Engineer System (ACES)	The ACES is the Air Force project initiative envisioned as the next step in the evolutionary phase of civil engineer systems. The ACES corrects weaknesses that have a critical impact on financial operations or data that involve inefficient and unnecessary procedures that result in the reduction of operational readiness in the areas of data accuracy and internal controls.
Stock Control System (SCS)	<p>The SCS maintains visibility of reparable and critical consumable assets stored at retail base accounts and redistributes base excess to fill backorders. A large modernization effort is currently under way for SCS and will:</p> <ul style="list-style-type: none">• provide a web-enabled interface• consist of windows-type screens• separate data from business applications to allow data warehousing• be compliant with Defense Information Infrastructure- Common Operating Environment (DII-COE) regulations• operate within a shared data environment

The SCS business processes will also be reengineered as part of the modernization effort. SCS “wholesale” supply functions and “retail” supply functions will interface seamlessly with the GCSS-AF Seamless Supply System architecture. The AFAA provided a permanent member to participate in all aspects of SCS modernization including requirements, definition, design, and testing.

Summary

The Department is taking the necessary steps to eliminate unneeded data systems that provide little or no benefit. Through joint endeavors with the Military Departments and the Defense Agencies, these feeder systems are being identified, consolidated, and eliminated where necessary.

The remaining critical feeder systems will provide crucial data to the finance and accounting systems expected to be in place by FY2003. These systems will comply with all necessary regulatory requirements and conform to the standard set of data elements currently targeted for DoD-wide implementation.

FINANCIAL MANAGEMENT COMPETENCY

Item 11 - "A description of actions that can be taken to ensure that each comptroller position (and comparable position) in the Department of Defense, whether filled by a member of the Armed Forces or by a civilian employee, is held by a person who, by reason of education, technical competence, and experience, has the core competencies for financial management."

**Financial
Management
Community
Executive
Committee and
Civilian
Professional
Development
and Training
Work Group
(CPDTWG)**

The ability of the Department's financial management community to perform necessary and required functions hinges upon its leaders possessing skills for their particular jobs and related responsibilities. To address this, the Department took several steps to ensure competent personnel are employed in key financial management positions throughout the Military Departments and the Defense Agencies.

In August 1995, the USD(C) together with the Military Department Assistant Secretaries (Financial Management and Comptroller) and the Director of the DFAS signed a charter that established the Financial Management Community Executive Committee. The objective of this Committee is to ensure the continued viability of civilian and military careers in financial management fields in the Department by addressing many items, including education, training and career development.

In 1996, the Committee established the Civilian Professional Development and Training Work Group (CPDTWG), which consists of subject matter experts in financial management who meet regularly. One of the CPDTWG's projects was to identify and develop generic core competencies for the Department's entire financial management work force. By May 1997, the CPDTWG developed eleven-core competencies (in addition to a working knowledge of basic accounting principles) necessary for successful senior financial managers in today's complex financial and accounting environment. They consist of:

1. knowledge of applicable legislative, administrative, and regulatory requirements, DoD strategic planning to include those of the Government Performance and Results Act (GPRA) and the impact of those requirements on external organizations and DoD operations
2. knowledge of the strategic planning process and how it relates to resource management
3. ability to develop creative and innovative solutions to complex financial, budget, and program management issues
4. ability to identify problems and potential concerns, provide leadership, and involve others in decision making processes and build support for options that provide solutions

5. knowledge of budget operations and analysis systems
6. knowledge of management analysis functions and program analysis and evaluation
7. ability to administer complex financial information from appropriate systems and to disseminate that information to appropriate users
8. knowledge of the principles, methods, techniques, and systems of financial management to improve program effectiveness
9. skill at assessing customer needs and modifying program management to improve the delivery of goods and services to customers
10. ability to develop and use automation principles, methods, techniques, and systems to improve program effectiveness, efficiency and customer service
11. ability to implement management control systems within the agency, including a quality assurance program

In addition, the CPDTWG identified target learning objectives and corresponding educational courses to ensure that financial managers received the necessary training for proficiency in each of the eleven core competencies.

An example of instilling these core competencies at the Military Department level is the Air Force's development of three levels of financial management training. At the entry level, individuals are given the "Basic Financial Management Officer" course designed to train Air Force personnel in the knowledge and skills necessary to perform as financial management officers. At the intermediate level, the "Financial Management Staff Officer" course trains personnel for positions of greater responsibility in financial management. The senior level course, the "DoD Professional Military Comptroller School", provides professional development education for mid-career and senior financial managers within the Department.

**Rotational
Training
Assignments**

Rotational training assignments fall under the category of on-the-job training (OJT), which is the primary type of training and development that employees receive, but the least recognized. OJT is typically presented one-on-one at the work site. Examples of OJT include job swaps and rotational assignments, which allow Comptrollers to broaden their skill base and cement an understanding of all aspects of the financial management community.

**Formal
Education**

Proper education is a basic requirement. Formal education is an integral part of managerial and leadership training for all personnel. In addition to a formal education, successful financial managers will have a working knowledge of basic accounting concepts as well as familiarity with Federal

Accounting Standards Advisory Board (FASAB) principles and Federal Generally Accepted Accounting Principles (FEDGAAP). Standard education criteria, which must be attained, will ensure that comptrollers have been appropriately selected from a capable pool of candidates and possess the basic skills to perform required duties.

Additionally, each of the Military Departments have established financial management curriculums at their higher education facilities (e.g. the Naval Post Graduate school in Monterey, CA and the Professional Comptrollers school in Montgomery, AL) train future managers and executives about financial management in the Department of Defense. The DFAS has also taken a highly pro-active role in the educational process by developing the Financial Management Career Development Plan. This plan is designed to provide a roadmap for growth and learning for financial management personnel and will help develop a highly skilled and professional financial and accounting workforce.

Objectives

The Department intends to implement specific actions and programs to ensure the comptroller position and comparable positions are held by people who possess the core competencies for financial management. These qualified personnel will be from either the Military Departments or the civilian population. They will also be of sufficient education and technical competence, and will have acquired an adequate amount of pertinent experience. The Department will ensure that these competencies will be consistently maintained.

Additional objectives of the Department to achieve financial management competency include:

- providing employees with a comprehensive list of competencies needed for performing major tasks in their occupation for use in planning their careers
- providing employees and their supervisors with a single-source reference to assist in determining appropriate training
- enabling employees to plan and sequence appropriate career training and development
- developing and strengthening employee professional qualifications and leadership abilities

These stated objectives will support the financial management environment's overall goal of providing top-quality financial support to the Department.

Summary

The Department's senior leaders recognize the importance of equipping its work force with the necessary training leading to the attainment of core competencies critical to the stewardship of resources. Training that contributes directly to the professional development of the Department's work force and future senior leadership is essential, if the Department is to meet the social, economic, and technical challenges of the future. Through the identification of core competencies and instructional courses designed to educate future financial managers and comptrollers on those competencies, the Department is poised to succeed in the twenty-first century.

OPLOC AND CENTER ORGANIZATION

Item 8 - "A description of problems with the organization or performance of the Operating Locations and Service Centers of the Defense Finance and Accounting Service, together with a description of the actions the Secretary can take to address those problems."

Identification of Problems at the Centers and Operating Locations

The business processes capitalized by the DFAS and consolidated at the service centers and operating locations (OPLOC) were, for the most part, non-standard and inefficient. These processes were the result of the Military Departments and the Defense Agencies having developed their own independent financial systems and business practices over the past years. As these practices, requirements, and systems were assimilated into the DFAS, it became apparent that business processes for the same functions varied greatly among the DFAS sites. Additionally, some critical business processes often required large amounts of manual labor. Examples of inherited inefficiencies include:

- vendor payments require that the DFAS paying office have a copy of the contract, an invoice from the vendor, and a receiving report showing that the government received the good or service; the receiving reports from the DoD organizations were handled differently at various levels; these reports were seldom received in a timely manner and often required follow-up action
 - invoices were paid late, with accumulated interest, because too many invoices were on-hand and not tracked or prioritized by payment due date
 - processing of invoices is mostly manual and time-consuming
-

Business Process Improvements and Corrective Action

In identifying business practice issues and determining solutions to these problems, the DFAS conducted a business process reengineering study of the Norfolk OPLOC. The study focused on bill payments, cross disbursing, problem disbursements, and report generation, analysis, and reconciliation. In addition, an organizational mission, functional and structural study of the OPLOC was conducted. As a result of these studies, the DFAS is implementing new business processes, similar to the private sector best practices, and organizational changes have occurred including:

- automating matching of purchase orders, invoices, receipts, and contracts
 - implementing imaging capabilities or electronic document management (EDM)
 - using electronic funds transfer (EFT) for disbursements
-

-
- using electronic data interchange (EDI) with vendors for ordering, price changing, accepting receiving reports, and invoices
 - using electronic mail to transmit receiving report data elements from the installation to the OPLOC
 - upgrading equipment, automated information systems, and communications to support the new state-of-the-art business process
 - directing the DoD components to fully implement the use of the International Merchants Purchase Authorization Card (IMPAC) for purchases less than \$2500; in using IMPAC, the cardholder verifies the charges to the bill, thus negating the requirement for the receiving report
 - aligning DFAS business processes with those of contractors that have centrally billed accounts
 - providing employees with the proper education, training, and tools at all levels
 - reengineering systems and processes that integrate obligations, claims, settlements, and posting of disbursements into the accounting records
-

Summary

Business process improvement at the DFAS Centers and OPLOCs is an ongoing process. The Department is continually evaluating private, commercial, and other federal organizations' best business practices with the goal of incorporating the appropriate new ideas, techniques, and processes. Further, the Department plans to conduct a series of benchmarking studies during the next five years for the purpose of measuring itself against commercial financial operation costs and practices. These evaluations will assist the Department in improving its mission, function, and responsibilities.

OPLOC AND CENTER PERFORMANCE

Item 9 - "A description of the costs and benefits of reorganizing the Operating Locations and Service Centers of the Defense Finance and Accounting Service according to function, together with the Secretary's assessment of the feasibility of carrying out such a reorganization."

Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) is presently organized in two major ways, by function and by customer. Each has its own advantages. For example, in the accounting area a customer-oriented organization works well in providing "one face" to the customer. Timely, often daily, feedback by center or OPLOC personnel to customers at the installation, base or activity level provides these managers with the critical financial information they need to manage on a day-to-day basis. On the other hand, the DFAS has already completed a great deal of functional alignment, especially in the finance functional areas. These functional alignments achieved great success in reducing costs and improving service:

- the civilian pay function was consolidated to one DFAS center and two OPLOCs; the DFAS is reviewing this function for further consolidation
 - all military retiree pay was consolidated to one DFAS center and all military annuitant pay has been consolidated to one DFAS center; as with civilian pay, the DFAS is also reviewing military retiree and annuitant pay for further consolidation
 - all contract pay was consolidated to one DFAS center
 - the out-of-service debt management function for all Military Departments was aligned to one center while the garnishment function for the Department has been consolidated to another
-

Business Process Improvements and Corrective Action

Some functional alignment also took place in the accounting area. Security Assistance accounting, for example, was consolidated to the Denver Center with a customer focus on providing timely financial information to the Defense Security Assistance Agency.

Problems

The most problematic function remaining is perhaps the installation/base-level vendor pay function. Presently, this function is aligned with accounting. The electronic document management technology, that supports and speeds vendor pay processing, is being installed at a limited number of sites. If it proves effective, the DFAS may realign this function to fewer sites.

However, proper interfaces and internal controls must first be in place to ensure such a realignment does not adversely impact the timeliness of payments or the timeliness and accuracy of posting the information to the accounting records. Care must be taken to avoid exacerbating one problem, such as negative unliquidated obligations or unmatched disbursements, while attempting to repair another.

**Advantages/
Savings**

The DFAS employment levels are projected to decrease by almost 6,000 by FY2003. Further functional realignments may prove to be a major factor in the DFAS' ability to absorb this decrease without experiencing unacceptable mission degradation. Functional realignment has proven to increase operational efficiencies in many areas, allowing the DFAS to take advantage of emerging technology with less investment cost. However, the DFAS is not yet in a position to develop the savings potential until standard systems are implemented, and technologies such as EDM are fielded and evaluated.

**Disadvantages/
Costs**

The DFAS workforce has been in a state of uncertainty, turmoil and major upheaval since being capitalized. Some employees have uprooted their families and bought new homes. Many new employees were hired, and both old and new employees require training in the new ways of doing business. Continuing the turmoil with the functional realignments may cause a strain on employee morale and productivity as these employees potentially face another family move, more retraining, and, in some cases, potential job loss from reductions in force. Similar to the savings associated with further functional alignment, costs will be developed as these realignment opportunities arise.

Summary

The DFAS's experience shows that although functional alignment of workload makes good sense in some areas, the DFAS cannot assume it is the best way to do business for every functional area. Many factors determine if, and when, functional alignment should take place. Customer organizational structures, reorganizations, business practices and feeder systems play major roles in how the DFAS does business. The DFAS automated systems migration strategy and the development of a corporate database will be major determining factors in any future functional realignments. Additionally, benchmarking studies and outsourcing studies may conclude that a customer or system-related structure makes more sense for certain operations. The results of these studies will be carefully considered in deciding DFAS's future workload alignment strategy.

CONTRACTING AND OUTSOURCING

Item 10 - "A description of the costs and benefits of contracting for private sector performance of specific functions currently performed by the Defense Finance and Accounting Service, together with the Secretary's assessment of the feasibility of contracting for such performance."

Private Sector Assistance

One of the goals of both the Quadrennial Defense Review (QDR) and the Defense Reform Initiative (DRI) is to reduce the Department's operating costs in reallocating resources and modernizing and enhancing readiness. As a subset of this larger goal, the Department is interested in reducing its tooth-to-tail ratio of combat-to-combat support forces. One tool to achieve this end is the use of the private sector to enhance operational efficiencies and reduce costs.

DFAS Contracting and Outsourcing

The DFAS is using numerous avenues to gain support from external sources to satisfy DoD outsourcing requirements:

- outsourcing select functions
- contracting with private-sector vendors for support
- reengineering processes with the private sector
- performing competitive outsourcing studies

Outsourcing Select Functions

The DFAS currently outsources a number of critical support functions with external service providers. In terms of budgeted dollars, approximately 10 to 12 percent of the information processing support, printing and facilities support is provided by the Military Departments and the Defense Agencies. This relationship provides continuity of operations and guaranteed support, while having the added benefit of reducing DFAS full-time equivalents (FTE).

Contracting with Private Sector Vendors

The DFAS has entered into a partnership with the private sector to enhance efficiencies in finance and accounting, as well as support functions. In FY1997, the DFAS contracted for more than \$26 million in contractor support for financial analysis, accounting, contract reconciliation, business process reengineering, software development, and special studies. Over 30 percent of the DFAS software development was accomplished by the private sector. This partnership has helped to reduce FTE's and costs, and encourages the Department to apply new technologies to improve efficiencies. It also eliminates the government's capability to perform its financial functions without establishing an untenable reliance on private sector vendors.

Reengineering Processes	<p>The DFAS is working closely with private-sector vendors to reengineer selected functions. These efforts provide the Department with the capability to take advantage of leading-edge technology and business practices to enhance efficiencies and reduce cost. Such an effort was recently initiated in the area of military payroll where the DFAS authorized a contractor to complete a review of the process to reduce full-time staff and overall cost by 25 percent over the next two years. Similar efforts were undertaken in the areas of travel and annuitant pay with similar results.</p>
Competitive Outsourcing	<p>In an effort to reduce costs, enhance customer service and support the needs of the Department, the DFAS continually assesses each business area to identify the best potential candidates for competitive outsourcing studies. To date, the DFAS has implemented the government's most efficient organizations (MEO) resulting from three OMB Circular A-76 studies in the areas of Debt and Claims Management, Facilities, Logistics and Administration, and Defense Commissary Vendor Payments. Implementing these three MEOs have generated savings of \$22.7 million annually. These actual savings exceeded the projections and did much to start the DFAS on its path to satisfy established QDR targets.</p> <p>In addition, the DFAS has active A-76 competitions in the areas of commissary accounting, DoD transportation accounting, DoD depot maintenance accounting, civilian payroll, and retiree and annuitant payroll. The projected savings from all of these studies combined is estimated at \$51.4 million when fully implemented without affecting inherently governmental functions or establishing an unacceptable risk of mission failure from the use of private sector sources.</p>
Summary	<p>The DFAS established successful working relationships with many outside vendors whose professional experiences encompass a vast array of departmental functions. The Department will continue to outsource DFAS functions where it does not pose the threat of mission failure and provides benefits in the form of significant long-term cost savings, reductions in process cycle time, increased productivity, and/or significant increases in technological utility.</p>

APPENDIX A

**REGULATORY REQUIREMENTS
MATRICES**

CHIEF FINANCIAL OFFICERS (CFO) ACT OF 1990 CFO FIVE YEAR PLAN

The CFO Five Year Plan requires information regarding strategic and operational plans.

Chief Financial Officers (CFO) Act of 1990 CFO Five Year Plan		
Requirement	Previous Source	Biennial Plan Location
Definition of the authority and functions of CFOs	1997 DoD CFO Five Year Plan	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Roles and Responsibilities
Establishment of Agency CFO	1997 DoD CFO Five Year Plan Chief Financial Officers Goals and Strategies (section 1.3)	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Roles and Responsibilities
Report directly to the head of the Agency future and current regarding financial management matters	No direct reference	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Roles and Responsibilities
Oversee all financial management activities	No direct reference	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Roles and Responsibilities
Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls	No direct reference	Volume I Section II, Concept of Operations Technical Infrastructure
Direct management and provide policy guidance and oversight of Agency financial management personnel, activities and operations	No direct reference	Volume I Section II, Concept of Operations Infrastructure Concept

Chief Financial Officers (CFO) Act of 1990 CFO Five Year Plan		
Requirement	Previous Source	Biennial Plan Location
Articulation of CFO's Vision Statement	1997 DoD CFO Five Year Plan OMB Circular A-11	Volume I Section II, Concept of Operations Introduction – Vision
Identification of goals and strategies for implementing financial management improvements	1997 DoD CFO Five Year Plan OMB Circular A-11	Volume I Section II, Concept of Operations Introduction - Purpose and Scope Appendix C
Current financial management systems structure and plans for moving to the targeted systems structure	1997 DoD CFO Five Year Plan OMB Circular-A11	Volume I Section III, Current Environment Finance and Accounting Structure Section IV, Transition Plan Introduction Functional Summaries
Impediments to the submission of the required annual audited financial statements	1997 DoD CFO Five Year Plan OMB Circular A-11	Volume I Section III, Current Environment Financial Management Status

NATIONAL DEFENSE AUTHORIZATION ACT OF 1998 BIENNIAL FINANCIAL MANAGEMENT IMPROVEMENT PLAN (BIENNIAL PLAN)

This act mandates the requirement for the Biennial Plan each even-numbered year.

National Defense Authorization Act of 1998 Biennial Financial Management Improvement Plan (Biennial Plan)		
Requirement	Previous Source	Biennial Plan Location
Concept of Operations – Description of current and future operations	1997 DoD CFO Five Year Plan CFO Goals and Strategies	Volume I Section II, Concept of Operations Functional Concept Infrastructure Concept Section III, Current Environment Finance and Accounting Structure
Description of the costs and benefits of integrating the various finance and accounting systems and reducing the total number of systems as well as the Secretary's assessment of the feasibility of implementing such an integration	1997 DoD CFO Five Year Plan Section 1 Financial Management sub- Section 1.2, sub- Section 1.3	Volume I Section V, Special Interest Items Finance and Accounting Systems Volume II Section II Section III
Identification of problems with the accuracy of data included in the finance systems, accounting systems, and data feeder systems that support financial functions of the Department together with a description of the actions that the Secretary can take to address the problems	1997 DoD CFO Five Year Plan Section 2 Audited Financial Statements	Volume I Section III, Current Environment Finance and Accounting Structure Finance and Accounting Status Section V, Special Interest Items Data Accuracy and Internal Control Weaknesses Volume II Section IV
Identification of weaknesses in the internal controls of the system together with a description of the actions that the Secretary can take to address those weaknesses	1997 DoD CFO Five Year Plan Financial Management Section 1, subsection 1.3D, Subsection 1.3E, 1.4A	Volume I Section III, Current Environment Finance and Accounting Structure Section IV, Transition Plan Functional Summaries - Internal Controls Section V, Special Interest Items Data Accuracy and Control Weaknesses

National Defense Authorization Act of 1998 Biennial Financial Management Improvement Plan (Biennial Plan)		
Requirement	Previous Source	Biennial Plan Location
Description of actions that the Department's Secretary can take to eliminate negative unliquidated obligations, unmatched disbursements, and in-transit disbursements and to avoid such obligations and disbursements in the future	1997 DoD CFO Five Year Plan Section 1 Financial Management Sub- Section 1.1A4, 1.1A7, 1.1A9,1.4C	Volume I Section IV, Transition Plan Functional Summaries Payables – Vendor, Contract & Disbursing Section V, Special Interest Items Problem Disbursements Volume II Section II UMDs/NULOs/Intransits
Description of the status of the Department's efforts to consolidate and eliminate redundant or unneeded finance systems, and redundant or unneeded accounting systems	1997 DoD CFO Five Year Plan Section 1 Financial Management C Subsection 1.2	Volume I Section III, Current Environment Achievements and Progress to date Section IV, Transition Plan Functional Summaries Section V, Special Interest Items Finance and Accounting Systems Volume II Section II
A description of the Department's efforts to consolidate or eliminate redundant personnel data systems, acquisition data systems, asset accounting systems, time and attendance systems and other data feeder systems with its accounting and finance systems	1997 DoD CFO Five Year Plan Section 1 Financial Management Subsection 1.1 A.1,.2,.3, Subsection 1.2	Volume I Section III, Current Environment Financial Management Status Section IV, Transition Plan Functional Summaries Section V, Special Interest Items Integration, Consolidation and Elimination of Data Feeder Systems Volume II Section II Section III

National Defense Authorization Act of 1998 Biennial Financial Management Improvement Plan (Biennial Plan)		
Requirement	Previous Source	Biennial Plan Location
Description of the Department's efforts to integrate the data feeder systems with its finance and accounting systems	1997 DoD CFO Five Year Plan Section 1 Financial Management Subsection 1.1 A.1,.2,.3, Subsection 1.2	Volume I Section IV, Transition Plan Functional Summaries – Program Section V, Special Interest Items Integration, Consolidation, and Elimination of Data Feeder Systems Volume II Section II Section III
Description of problems with the organization or performance of the DFAS Operating Locations and Service centers, together with a description of the actions the Secretary can take to address those problems	No direct reference	Volume I Section V, Special Interest Items OPLOC and Center Organization
Description of the costs and benefits of reorganizing the DFAS Operating Locations and Service Centers according to function, together with the Secretary's assessment of the feasibility of carrying out such a reorganization	No direct reference	Volume I Section III, Current Environment DoD Achievements Section V, Special Interest Items OPLOC and Center Performance

National Defense Authorization Act of 1998 Biennial Financial Management Improvement Plan (Biennial Plan)		
Requirement	Previous Source	Biennial Plan Location
Description of the costs and benefits of contracting for private-sector performance of specific functions currently performed by DFAS, together with the Secretary's assessment of the feasibility of carrying out such performance	No direct reference	Volume I Section IV, Transition Plan Functional Summaries – Payroll – Military, Civilian, Retired, and Annuitant Section V, Special Interest Items Contracting and Outsourcing
Description of actions that can be taken to ensure that each comptroller position (and comparable position) in the Department, whether filled by a member of the Armed Forces or by a civilian employee, is held by a competent person who, by reason of education, technical competence and experience has the core competencies of financial management	No direct reference	Volume I Section II, Concept of Operations Operating Infrastructure Section V, Special Interest Items Financial Management Competency Volume II Section IV
Description of any other change in the Department's financial management structure or revision of the Department's financial management processes and business practices that the Secretary considers necessary to improve the Department's financial management	1997 DoD CFO Five Year Plan Vision Statement	No Reference
Identify statement of objectives, performance measures and schedules and specific individual and organizational responsibilities.	No direct reference	Volume II Section II Section III Section IV

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

This legislation mandates standard financial management systems for a department.

Federal Financial Management Improvement Act of 1996		
Requirement	Previous Source	Biennial Plan Location
Provide consistency of accounting by agency from one fiscal year to the next and uniform accounting standards throughout the Federal Government	1997 DoD CFO Five Year Plan Chief Financial Officers Vision Statement; Financial Management Section 1, subsection 1.2, A & B	Volume I Section II, Concept of Operations Functional Concept
Require federal financial management systems to support full disclosure of federal financial data, including the full costs of federal programs and activities so that programs and activities can be considered based on their full costs and merits	1997 DoD CFO Five Year Plan Section 1, Financial Management Sub- Section 1.2, Finance and Accounting Systems A & B	Volume I Section II, Concept of Operations Purpose and Scope Mission Vision Section III, Current Environment Financial Management Status
Increase the accountability and credibility of federal financial management	1997 DoD CFO Five Year Plan Section 1, Financial Management Subsection 1.2, Finance and Accounting Systems A & B	Volume I Section II, Concept of Operations Functional Concept Infrastructure Concept Section III, Current Environment Financial Management Status Section IV, Transition Plan Functional Summaries – Human Resources Section V, Special Interest Items Financial Management Competency
Improve performance, productivity and efficiency of federal financial management	1997 DoD CFO Five Year Plan Section 1 Financial Management Subsection 1.2 Finance and Accounting Systems A & B	Volume I Section II, Concept of Operations Introduction Functional concept Infrastructure Concept

Federal Financial Management Improvement Act of 1996		
Requirement	Previous Source	Biennial Plan Location
cotinued		Section IV, Transition Plan Functional Summaries – Human Resources and Internal Controls
Establish financial management systems to support controlling the cost of the Federal Government	1997 DoD CFO Five Year Plan Section 1 Financial Management Subsection 1.2 Finance and Accounting Systems A & B	Volume I Section II, Concept of Operations Functional Concept Section V, Special Interest Items Finance and Accounting Systems
Build upon and complement the CFO Act of 1990, the Government Performance and Results Act of 1993 and the Government Management Reform Act of 1994	No direct reference	Volume I Section II, Concept of Operations Functional Concept Appendix C
Increase the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities	No direct reference	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Financial Management Status Appendix C
Implement and maintain financial systems that comply with federal financial management system requirements, applicable federal accounting standards and the standard general ledger at the transaction level.	1997 DoD CFO Five Year Plan Section 1 Financial Management Subsection 1.2 Finance and Accounting Systems A & B	Volume I Section II, Concept of Operations Functional Concept Section III, Current Environment Financial Management Status Section IV, Transition Plan Current to future operations Appendix C
The head of the agency shall determine whether the agency's financial management systems comply with the standards identified above.	1997 DoD Annual Statement of Assurance	Volume I Section III, Current Environment Remediation Plan Analysis Appendix B

Federal Financial Management Improvement Act of 1996		
Requirement	Previous Source	Biennial Plan Location
Allows the agency head to establish a remediation plan to bring the agencies financial management systems into compliance	No direct reference	Volume I Section III, Current Environment Remediation Plan Analysis Appendix C Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives
Identification of resources required to bring the agency's financial management systems into substantial compliance	1997 DoD CFO Five Year Plan Appendix C	Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives
Identification of remedies required to bring the agency's financial management systems into compliance	1997 DoD CFO Five Year Plan Appendix C	Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives
Identification of the intermediate target dates required to bring the agency's financial management systems into substantial compliance	1997 DoD CFO Five Year Plan Appendix C	Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT OF 1982 STATEMENT OF ASSURANCE, SECTION IV

The Statement of Assurance, Section IV, titled the Report on Accounting System Conformance to Comptroller General Accounting Principles, Standards, and Related Requirements, requires three areas of information.

- 1) Description of Pending Material Nonconformance
- 2) Description of Material Nonconformance Corrected in the Current Reporting Year
- 3) Additional summary information.

- 1) Description of Pending Material Nonconformance:

Federal Managers' Financial Integrity Act of 1982 Statement of Assurance, Section IV		
Requirement	Previous Source	Biennial Plan Location
<p>Describe each pending material nonconformance for each system and provide a corrective action plan, group nonconformance by system. Explain any changes in previous corrective action schedules and include the following data elements for each uncorrected material nonconformance:</p> <ul style="list-style-type: none"> • Name of System • Name of Responsible System Manager • Title of Material Nonconformance • Functional Category in Statistical • Summary • Bureau/Appropriation/Account Number • Pace of Corrective Action <ul style="list-style-type: none"> - Year Identified - Original Targeted Correction Date - Targeted Correction Date in Last Years Report - Current Target Date - Reason for Change in Date(s) • Description of Material Nonconformance and Its Impact on Agency Operations • Source of Discovery of Material Nonconformance 	<p>1997 DoD Annual Statement of Assurance</p>	<p>Volume I Section III, Current Environment Financial Management Status</p> <p>Volume II Section II, Program Initiatives</p> <p>Section III, Core Initiatives</p> <p>Provide information and corrective/improvement actions for each accounting and finance system, including systems with material nonconformance. Each initiative includes the data elements required for the pending material nonconformance description and the following data:</p> <ul style="list-style-type: none"> • Description • Objectives • Resource Requirements • Benefits

Federal Managers' Financial Integrity Act of 1982 Statement of Assurance, Section IV		
Requirement	Previous Source	Biennial Plan Location
<ul style="list-style-type: none"> • Critical Milestones in Corrective Action <ul style="list-style-type: none"> - Original Plan - Current Plan - Actual • Validation Process to be Used 		continued

2) Description of Material Nonconformance Corrected in the Current Reporting Year:

Federal Managers' Financial Integrity Act of 1982 Statement of Assurance, Section IV		
Requirement	Previous Source	Biennial Plan Location
<p>Provide the following information for any material nonconformance corrected this year:</p> <ul style="list-style-type: none"> • Name of System • Name of Responsible System Manager • Title of Material Nonconformance • Bureau/Appropriation/Account Number • Year Identified • Corrective Action Taken • Validation Process to be Used • Results of Validation Actions Taken 	1997 DoD Annual Statement of Assurance	<p>Volume II Section II, Program Initiatives Section III, Core Initiatives</p> <p>Provides information and corrective/improvement actions for every accounting and finance system, including systems with material nonconformance. Each system includes the following additional data elements:</p> <ul style="list-style-type: none"> • Description • Objectives • Functional Category in Statistical Summary • Year Identified • Description of Material Nonconformance and Its Impact on Agency Operations • Source of Discovery of Material Nonconformance • Resource Requirements • Benefits

3) Additional Summary Information

Federal Managers' Financial Integrity Act of 1982 Statement of Assurance, Section IV		
Requirement	Previous Source	Biennial Plan Location
<p>The report on accounting system conformance to Comptroller general principles, standards, and related requirements of the Annual Assurance Statement shall be accompanied by:</p> <ul style="list-style-type: none"> • a narrative assurance statement • an inventory listing • an enumeration of system manager/user reviews and consolidated system evaluations performed in the current reporting year • a description of system or process used to track material nonconformance and corrective actions taken or planned 	1997 DoD Annual Statement of Assurance	<p>Volume I Appendix B</p> <p>Volume I Appendix B</p> <p>Volume II Section II, Program Initiatives</p> <p>Section III, Core Initiatives</p> <p>Volume I Appendix B</p>

FY 1998 OMB PASSBACK LETTER

The Department is required to respond to the OMB FY 1998 Passback Letter. This letter tasks the Department to develop a plan that responds to three requirements.

FY 1998 OMB Passback Letter		
Requirement	Previous Source	Biennial Plan Location
Identify the Departments greatest impediments to producing auditable financial statements	1997 DoD CFO Five Year Plan Section 2	Volume I Section III, Current Environment Financial Management Status Section V, Special Interest Items
Identify the initiatives to correct impediments	1997 DoD CFO Five Year Plan Section 2	Volume I Section IV, Transition Plan Functional Summaries Appendix C Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives
Establishes milestones and time frames for corrective actions.	1997 DoD CFO Five Year Plan Section 2	Volume II Section II, Program Initiatives Section III, Core Initiatives Section IV, Infrastructure Initiatives

APPENDIX B

REPORT ON ACCOUNTING SYSTEM CONFORMANCE

REPORT ON ACCOUNTING SYSTEM CONFORMANCE TO OFFICE OF MANAGEMENT AND BUDGET FINANCIAL SYSTEM REQUIREMENTS

Pursuant to Section 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982, the Department evaluated its financial management systems, as defined by the Office of Management and Budget (OMB), during the fiscal year ending September 30, 1998. These evaluations were conducted under the guidance of the Chief Financial Officers (CFO) Act to identify system compliance with the OMB Circular A-127—Revised. The evaluation methods included reviews employing "A Guide to Federal Requirements for Financial Management Systems" and examinations performed by auditors of the DoD Inspector General, and Departments of the Army, Navy and Air Force using generally accepted government auditing standards prescribed by the Comptroller General.

The Department is currently reporting 230 finance, accounting, and feeder systems that meet the OMB definition of financial management operations. A list of these systems follows this section.

Evaluations by system managers are conducted by electronic questionnaire (EQ). The EQ contains questions pertaining to applicable requirements of major categories of DoD financial management systems (such as inventory systems, property systems, payroll systems, etc.) Annually, DFAS develops EQs for DoD financial management systems to assist managers in assessing their systems. The EQs also contain Departure Monitoring Modules (DMM) to identify and document a departure from or nonconformance with a federal financial management system requirement.

All departures must be tracked by management and corrected. The DMM provides managers the automated capability to track the departure from identification to correction and validation. If a departure from the requirements is identified anytime during the review of a system, the DMM can be activated allowing the manager to enter critical data relative to the departure, such as its description, impact on operations, responsible official, corrective actions, and milestones. This information is centrally maintained throughout the life of the departure and continuously updated.

The results of evaluations and audits of DoD finance and accounting systems show that many do not sufficiently comply with financial management system requirements prescribed by OMB Circular A-127—Revised. Many of these systems also perform similar functions resulting in inefficiencies and disparities between business practices. The Department currently has initiatives underway to field standard migratory financial management systems at consolidated operating locations to improve financial management processes and streamline business practices (Biennial Plan, Volume II).

DEPARTMENT OF DEFENSE FY 1998 SYSTEMS INVENTORY

Systems Summary Listed below is a summary of the number and type of systems the Department is reporting for FY 1998. Systems are broken-out into three main categories, accounting, finance, and feeder systems.

Accounting Systems	Working capital fund	48
	General fund	19
	Foreign military sales	8
	Departmental reporting	9
	Cash accountability	6
	Non-appropriated funds	0
	Trust fund	1
	Total accounting systems	91
Finance Systems	Debt management	1
	Civilian pay	1
	Military pay	5
	Contractor/vendor pay	4
	Transportation	2
	Travel payment	1
	Disbursing	4
	Total finance systems	18
	Total finance and accounting	109
Feeder Systems	Department of the Army	21
	Department of the Navy	35
	Department of the Air Force	23
	Office of the Under Secretary of Defense	1
	Defense Logistics Agency	2
	Defense Security Assistance Agency	1
	Total feeder systems	83
Total Systems	Total finance, accounting, and feeder systems	192

Inventory List The list of each of the Department's finance, accounting, and feeder systems follows this section. The list provides the name of the system, acronym, and owner.

	System Name (Acronym)	Owner
	ACCOUNTING SYSTEMS	
	Defense Wide Working Capital Funds (Accounting)	
1	Material Financial Control System (MFCS)	DON
2	Uniform Automated Data Processing System Stock Points E & F (UADPS SP-E&F)	DON
3	Uniform Automated Data Processing System Level II Stock Fund (UADPS Level II SF)	DON
4	Shipyards Management Information System (SYMIS)	DON
5	Defense Industrial Financial Management System (DIFMS)	DFAS
6	Naval Ordnance Management Information System (NOMIS)	DON
7	Public Works Center Management Information System (PWCNIS)	DON
8	Industrial Fund Accounting System (IFAS)	DFAS
9	Military Sealift Command (MSC) Financial Management Information System (FMIS)	DON
10	NSWC Dahlgren, Financial Management System (NSWC/DD FMS)	DON
11	Naval Research Laboratory DBOF Financial System, Washington (NRL-NIF)	DON
12	Navy Industrial Fund Financial Management Accounting System (NIFMAS)	DON
13	NSWC Carderock Division Financial System (NSWC/CD FS)	DON
14	NSWC Port Hueneme Division Real-Time Integrated Management System (RIMS)	DON
15	Automated Financial Management Information System (AFMIS) NCSS Panama City	DON
16	NAVSUP Uniform Inventory Control Points, Integrated Disbursing G03/G06 (UADPS-G03/G06)	DON
17	Defense Business Management System (DBMS)	DFAS
18	Base Operations Support System (BOSS)	DLA
19	Defense Fuel Automated Management System (DFAMS)	DLA
20	Defense Integrated Subsistence Management System (DISMS)	DLA
21	Standard Automated Material Management System (SAMMS)	DLA
22	Military Traffic Management Command Financial Management System (MTMC-FMS)	MTMC
23	Air Force Industrial Funds General Ledger System (DMIF-IFGL)	DOAF
24	Depot Maintenance Budget Management Cost System (DMIF-BUDCOST)	DOAF
25	Maintenance Labor Distribution & Cost System (DMIF-LABOR)	DOAF
26	Depot Maintenance Workload Planning & Control System (DMIF-I/O)	DOAF
27	Depot Maintenance Production Cost System (DMIF-PRODCOST)	DOAF
28	Maintenance Actual Material Cost System (DMIF-ACTCOST)	DOAF
29	Job Order Production Master System (DMIF-JOBORD)	DOAF
30	Project Order Control System (DMIF-PROJORDR)	DOAF
31	Contract Depot Maintenance Production & Cost System (DMIF-DEPOTPROD)	DOAF
32	Depot Maintenance Equipment Program System (DMEP)	DOAF
33	Government Furnished Material & End Item Transaction Reporting System (GFMTR)	DOAF
34	Accounting System for Industrial Fund Procurement of GFM (DMIF-IFPGFM)	DOAF
35	Aerospace Maintenance & Regeneration Center - Cost & Billing System (AMRC-CBS)	DOAF
36	Standard Base Supply System (SBSS)	DOAF
37	Standard Material Accounting System (SMAS)	DFAS
38	Missile Fuels Management System (MFMS)	DOAF

	System Name (Acronym)	Owner
Defense Wide Working Capital Funds (Accounting) continued		
39	Airlift Services Industrial Fund Integrated Computer System (ASIFICS)	DOAF
40	Avfuel Management & Accounting System (AMAS)	DFAS
41	Financial Inventory Accounting & Billing System (FIABS)	DOAF
42	DECCO Accounting Information System (DAIS)	DoD
43	Commodity Command Standard System (CCSS)	DOA
44	Standard Industrial Fund System (SIFS)	DFAS
45	Standard Army Financial Inventory Accounting & Reporting System (STARFIARS)	DFAS
46	Standard Army Financial Inventory Accounting & Reporting System Modernization (STARFIARS-M)	DFAS
47	Marine Corps Unified Material Management System (MUMMS)	DON
48	Defense Working Capital Accounting System (DWAS)	DFAS
General Funds (Accounting)		
1	Standard Accounting & Reporting System (STARS)	DFAS
2	Facilities Information System 2.0 (FIS)	DON
3	PCS Reservation Obligations Database System (PRODS)	DON
4	Reserve Financial Management/Active Duty for Training System (RESFMS)	DON
5	General Accounting & Finance System-Base Level (GAFS)	DFAS
6	Central Procurement Accounting System (CPAS)	DFAS
7	Job Order Cost Accounting System II (JOCAS)	DOAF
8	Standard Operations & Maintenance, Army R&D System (SOMARDS)	DFAS
9	Standard Finance System (STANFINS)	DFAS
10	Corps of Engineers Financial Management System (CEFMS)	DOA
11	State Accounting & Budget Expenditure Reservation System (SABERS)	DOA
12	Standard Accounting Budgeting & Reporting Systems (SABRS)	DFAS
13	Washington Headquarters Service (WHS) Allotment Accounting System (WAAS)	WHS
14	Resource Accounting Management System (RAMS)	CHA
15	Centralized Accounting & Finance Resource Management System (CAFRMS)	DNA
16	Appropriations Control Reporting System (ACRS)	WHS
17	College & University Financial System (CUFS)	USUHS
18	National Security Agency General Accounting & Reporting System (NSAGAC)	NSA
19	Daily Orders, Ledger, and Finance System (DOLFINS)	DOA
Foreign Military Sales (Accounting)		
1	Security Assistance Automated Management Support System (SAAMSS)	DOA
2	Centralized Integrated System for International Logistics (CISIL)	DOA
3	Defense Integrated Financial System For Foreign Military Sales (DIFS)	DFAS
4	Case Management Control System (CMCS)	DOAF
5	Security Assistance Management Information System (SAMIS)	DOAF
6	Management Information System International Logistics (MISIL)	DON
7	Student Training Analysis & Tracking Information System (STATIS)	DON
8	Washington Headquarters Service (WHS) Allotment Accounting System (Modified) (WAAS-MOD)	WHS

	System Name (Acronym)	Owner
Departmental Reporting (Accounting)		
1	Navy Headquarters Financial Systems (NHFS)	DON
2	Defense Business Operations Fund Central Database Accounting System (CDB)	DFAS
3	General Funds General Ledger System (GFGL)	DFAS
4	Command On-Line Accounting & Reporting System (COARS)	DFAS
5	Industrial Fund General Ledger System-Departmental (IFGL)	DFAS
6	Status of Funds System (SOF)	DFAS
7	Air Force Stock Funds Accounting & Reporting (AFSF)	DFAS
8	Headquarters Accounting & Reporting System (HQARS)	DFAS
9	Program Budget Accounting System - Program, Funds & Order Distribution (PBAS-FD)	DFAS
Cash Accountability (Accounting)		
1	Centralized Expenditures & Reimbursement Processing System (CERPS)	DFAS
2	Cash Reconciliation System (CRS)	DFAS
3	Financial Reporting System-Accounting (FRS-ACCTG)	DFAS
4	Navy Prompt Payment Interest System (NPPIS)	DFAS
5	Interdepartmental Fund Billing Group System (IFBGS)	DFAS
6	Merged Accountability & Fund Reporting System (MAFR)	DFAS
Trust Funds (Accounting)		
1	Trust Funds Accounting System (TFAS)	WHS
FINANCE SYSTEMS		
Debt Management (Finance)		
1	Defense Debt Management System (DDMS)	DFAS
Civilian Pay (Finance)		
1	Defense Civilian Pay System (DCPS)	DFAS
Military Pay (including Retired Pay) (Finance)		
1	Defense Retired Annuitants Pay System (DRAS)	DFAS
2	Reserve Pay System - Drill & Active Duty For Training (ACDUTRA)	DON
3	Defense Joint Military Pay System - Active Component (DJMS-AC)	DFAS
4	Defense Joint Military Pay System - Reserve Component (DJMS-RC)	DFAS
5	Marine Corps Total Forces System (MCTFS)	DFAS
Contract & Vendor Pay (Finance)		
1	Automated Voucher Examination Disbursing System (AVEDS)	DLA
2	Mechanization of Contract Administration Services (MOCAS)	DLA
3	Integrated Accounts Payable System (IAPS)	DFAS
4	Computerized Accounts Payable System (CAPS)	DFAS

	System Name (Acronym)	Owner
Transportation Payment (Finance)		
1	NAVMTO Automated Transportation Data System (NATDS)	DON
2	Defense Transportation Pay System (DTRS)	DFAS
Travel Payment (Finance)		
1	Integrated Automated Travel System (IATS)	DFAS
Disbursing (Finance)		
1	Automated Disbursing System (ADS)	DFAS
2	Integrated Paying & Collection System (IPC)	DFAS
3	Standard Finance System - Redesign I (SRD-I)	DFAS
4	Standard Negotiable Instrument Processing System (SNIPS)	DFAS
FEEDER SYSTEMS		
Department of the Navy (Navy and Marine Corps)		
1	Navy Enlisted Personnel Information System (NES)	DON
2	Officer Personnel Information System (OPINS)	DON
3	Force Management System (FORMAN)	DON
4	Inactive Manpower and Personnel Management Information System (IMAPMIS)	DON
5	Microcomputer Claims Processing System (MCPS)	DON
6	Reserve Information Management System (RIMS)	DON
7	Standard Labor Data Collection and Distribution Application (SLDCADA) T&A	DON
8	Automated Labor and T&A Input and Reporting System (ALTAIRS)	DON
9	Automated Time and Labor System (ATLAS)	DON
10	Command Management System (CMS)	DON
11	Command Resource Management Module (CRMM)	DON
12	DCPS Defense Automated Timekeeping (DCPS-DAT)	DON
13	Local LeJeune	DON
14	Local Naval Personnel Research and Development Center (NPRDC)	DON
15	Fleet Technical Support Center, Atlantic Payroll System (FTSCLANT)	DON
16	Automated Procurement and Accounting Data Entry System (APADE)	DON
17	Integrated Technical Item Management Program (ITIMP)	DON
18	Uniform Inventory Control Point (UICP) Applications	DON
	G03 -Allotment Accounting	
	B04 - Transactions	
19	Uniform Automated Data Processing System - Stock Point (UADPS-SP) Applications; also referred to as U-2	DON
20	Shipboard Uniform Automated Data Processing System (SUADPS)	DON
21	Asset tracking Logistics and Supply System (ATLASS)	DON
22	Aircraft Inventory Reporting System (AIRS)	DON
23	Supported Activities Supply System (SASSY)	DON
24	Marine Ammunition Accounting and Reporting System II (MAARS II)	DON
25	Conventional Ammunition Integrated Management System (CAIMS)	DON
26	Aircraft Engine Management System (AEMS)	DON
27	Meteorology Automated System for Uniform Recall and Reporting (MEASURE)	DON

	System Name (Acronym)	Owner
Department of the Navy (Navy and Marine Corps) continued		
28	Navy Facility Assets Data Base (NFADB)	DON
29	Plant Property System (Great Lakes, Pearl Harbor, Norfolk)	DON
30	Logistics Management Information System (LMIS)	DON
31	Garrison Mobile Equipment Management System (GMES)	DON
32	Missile History Data Base System	DON
33	Missile Status Report System	DON
34	Combat Boat Support System (CBSS)	DON
35	Equipment Reporting Registration and Tracking System (ERRTS)	DON
Department of the Air Force		
1	Personnel Data System (PDS)	DOAF
2	Time and Attendance Reporting System (TASYS)	DOAF
3	Item Manager's Wholesale Requisition System (IMWRP)	DOAF
4	Wholesale and Retail Receiving/Shipping System (WRRS)	DOAF
5	Commercial Operations Integrated System (COINS)	DOAF
6	Acquisition and Due-In System (ADIS)	DOAF
7	Base Contracting Automated System (BCAS)	DOAF
8	Acquisition Management Information System (AMIS)	DOAF
9	Aerospace Maintenance & Regeneration Center (AMRC) - Asset Control System (DMIF-ASSET)	DOAF
10	Special Support Stock Control and Distribution System (SSSCD)	DOAF
11	Fuels Automated Management System (FAMS)	DOAF
12	Stock Number User Directory (SNUD)	DOAF
13	Work Information Management System (WIMS)	DOAF
14	Information Processing Management System (IPMS)	DOAF
15	Reliability and Maintainability Information System (REMIS)	DOAF
16	Comprehensive Engine Management System (CEMS)	DOAF
17	Facility Equipment Planning, Programming and Control System (FEPPC)	DOAF
18	Combat Ammunition System-Ammunition Control Point (CAS-A)	DOAF
19	Requirements Data Bank (RDB) System	DOAF
20	Test Measurement and Diagnostic Equipment System (TMDE)	DOAF
21	Recoverable Assembly Management Process (RAMP)	DOAF
22	On-Line Vehicle Interactive Management System (OLVIMS)	DOAF
23	Aerospace Vehicle Resource (AVRS)	DOAF
Department of the Army		
1	Standard Installation/Division Personnel System (SIDPERS)	DOA
2	Headquarters Application System (HAS)	DOA
3	COE Time and Attendance/Labor System (CTALS)	DOA
4	Electronic Timekeeping System (ETS)	DOA
5	Reserve Component Input System (RCIS)	DFAS
6	JUMPS Standard Terminal Input System (JUSTIS)	ARNG
7	ROTC Mission Management System (ROTCMMS)	DFAS
8	Continuing Balance System Expanded/Requisition Validation (CBS-X)/REQVAL	DOA
9	Standard Army Automated Contracting System (SAACONS)	DOA
10	Procurement Automated Data and Document System (PADDS)	DOA
11	Commodity Command Standard System (CCSS) (Logistics)	DOA

	System Name (Acronym)	Owner
Department of the Army (continued)		
12	Standard Army Retail Supply System (SARRS)	DOA
13	Standard Depot System (SDS)	DOA
14	Create On-Line Procurement System (COPS)	DOA
15	Standard Property Book System-Redesign (SPBS-R)	DOA
16	Worldwide Ammunition and Reporting System (WARS)	DOA
17	Integrated Facilities System-Micro/Mini (IFS-M)	DOA
18	Integrated Facilities System-Micr/Mini Stand Alone (IFS-M)	DOA
19	Headquarters Integrated Facilities System-Micro/Mini (HQ IFS-M)	DOA
20	Real Estate Management Information System (REMIS)	DOA
21	Army Medical Department Property Accounting System (AMEDDPAS)	DOA
Office Of Under Secretary of Defense		
1	Defense Civilian Personnel Data System (DCPDS)	OSD(CPMS)
Defense Logistics Agency		
1	Defense Property Accountability System (DPAS)	DLA
2	Contractor Property Management System (CPMS)	DLA
Defense Security Assistance Agency		
1	Foreign Military Sales (FMS) Credit Reporting System (FMSCS)	DSAA

APPENDIX C

FUNCTIONS AND INITIATIVES QUICK REFERENCE LIST

FUNCTIONS AND INITIATIVES QUICK REFERENCE LIST

Program Requirement	Function	Initiatives
	Acquisition	<ul style="list-style-type: none"> • Standard Procurement System (SPS) • Defense Procurement Payment System (DPPS) • Procurement Automated Data and Document System (PADDS) • Standard Depot System (SDS) • Create On-line Procurement System (COPS) • Point of Sale Modernization • Acquisition and Due-in System (ADIS) • Automated Business Services System (ABSS) • Automated Purchase Card System (APCS) • Headquarters Application System (HAS) • Standard Army Automated Contracting System (SAACONS)
	Personnel	<ul style="list-style-type: none"> • Standard Installation and Division Personnel System (SIDPERS-3) • Electronic Time Keeping System (ETS) • Automated Time and Attendance Production System (ATAAPS) • Personnel Data System (PDS) • U.S. Navy Assessment of Personnel Systems • U.S. Navy Assessment of Time and Attendance Source Data Automation (T&A/SDA) • Time and Attendance Labor Productivity (TALPRS) Reporting/Real Time and Attendance (RETAPS) Processing System • Civilian Personnel Resource Reporting System (CPRRS)/Work Year and Personnel Cost (WYPC) • U.S. Navy Civilian Financial Management Career Program Improvement • U.S. Air Force Material Command (AFMC) Depot Maintenance Activity Group (DMAG) Time and Attendance (T&A) (H117) Systems
	Cost Management	<ul style="list-style-type: none"> • Contract Depot Maintenance Production and Cost System (DMIF-DEPOTPROD) • Corps of Engineers Financial Management Systems (CEFMS) • Airlift Services Industrial Fund Integrated Computer System (ASIFICS) • Financial Information Resource System (FIRST) • Commercial Operations Integrated System (COINS) • Army Central Fund Accounting System (ACFAS) • Transportation Management System (TMS) • Joint Reconciliation Program (Army) • Automated Purchase Card System (APCS) • Automated Business Services System (ABSS)

Program Requirement

continued

Function	Initiatives
Cost management (continued)	<ul style="list-style-type: none"> • U.S. Navy Problem Disbursement Improvement Project • U.S. Air Force Automated Civil Engineer System (ACES) • U.S. Army CFO Strategic Plan and Senior Level Steering Group • U.S. Navy Management Accounting Project (IMAP) • U.S. Navy Fund Administration and Standardized Document Automation System (FASTDATA) • U.S. Navy Enhancement of Organizational Internal Control Structures for Financial Statement Audits • U.S. Navy Program Budget Accounting System (DoN PBAS) • U.S. Navy Business Process Assessment of Naval Aviation Depot Working Capital Funds Financial Statements • U.S. Navy Assessment of Navy Working Capital Fund (NWCF) Non-Financial Feeder Systems • U.S. Army Headquarters Integrated Facilities System Micro/Mini (HQ IFS-M) • U.S. Army JUMPS Standard Terminal Input System (JUSTIS) • U.S. Army State Accounting Budgeting Expenditure and Reservation System (SABERS) • U.S. Army Theater Army Medical Management Information System (TAMMIS) • U.S. Air Force Manufacturing Resources Planning II (MRP II)
Property Management	<ul style="list-style-type: none"> • Army General and Mission Equipment Working Group – CFO compliance • U.S. Navy General Property, Plant, and Equipment (PP&E) Accountability Project • U.S. Navy Assessment of National Defense Property, Plant, and Equipment (PP&E) • Continuing Balance System Expanded/Requisition Validation (CBS-X) REQVAL • U.S. Army Standard Property Book System – Redesign (SPBS-R) • Global Combat Support Team – Tier 1 (GCSS) • Aerospace Vehicle Resource System (AVRS) • U.S. Army Medical Department Property Accounting System (AMEDDPAS) • Comprehensive Engine Management System (CEMS) • Facility and Equipment Maintenance System (FEMS) • Integrated Maintenance Data System (IMDS) • Government Furnished Material and End Item Transaction Reporting System (GFMTR) • On-Line Vehicle Interactive Management System (OLVIMS)

Program Requirement
continued

Function	Initiatives
Property Management (continued)	<ul style="list-style-type: none"> • U.S. Army General and Mission Equipment Working Group-CFO Compliance and Real Property Integrated Process Team-CFO Compliance • Reliability and Maintainability Informational System (REMIS) • Navy Facility Assets Database (NFADB) • U.S. Air Force Information Processing Management System (IPMS)
Inventory Management	<ul style="list-style-type: none"> • Commodity Command Standard System (CCSS) • Inventory Technology Management (ITM) Automated Data Processing (ADP) System • Stock Control System (SCS) • Financial Inventory Accounting and Billing System (FIABS) • Transfer of Management Responsibility Project • U.S. Navy Assessment of Logistics and Inventory Systems • Shipyard Management Information System (SYMIS) • Integrated Logistics System-Supply (ILS-S) • Point of Sale – Modernization – DCA • World-Wide Ammunition Reporting System – New Technology (WARS-NT) • Recoverable and Consumable Item Stratification (RCIS) D200N

Core Requirements

Function	Initiatives
Receivables/Collections/ Debt Management	<ul style="list-style-type: none"> • Debt Collection Matching Program (DCMP) • Garnishments Business Process Reengineering (GARNBPR) • Defense Debt Management System (DDMS)
Payables – Vendor, Contract & Disbursements	<ul style="list-style-type: none"> • UMD, NULO and INTRANST • Integrated Accounts Payable System (IAPS) • Defense Standard Disbursing Project (DSDS) • Automated Financial Entitlements System (AFES) • Vendor Pay Strategy • Automated Disbursing System (ADS) • Acquisition and Financial Management Panel (ACQPANEL) • On-line Payment and Collection/Electronic Data Interchange Payment and Collection System (OPAC/EDIPAC) • Prevalidation • Implementation of Electronic Data Interface/Electronic Commerce (EDI/EC) • STANFINS Redesign (SRD-I) • Computerized Accounts Payable System (CAPS) • Defense Procurement Payment System (DPPS) • International Merchant Purchase Authorization Card (IMPAC) • Integrated Paying and Collection System (IPC) • Standard Automated Material Management System (SAMMS) • Contract Management Analysis System (CMAS-II) • Disbursing Office Processing System (DOPS) • Integrated Automated Travel System (IATS) • Defense Transportation Payment System (DTRS) • PerDiemAzing • Defense Travel System (DTS) • Transportation Pay Business Process Reengineering (BPR)
Payroll – Civilian and Military	<ul style="list-style-type: none"> • Defense Joint Military Pay System (DJMS) • The Marine Corps Total Force System (MCTFS) • Defense Civilian Payment System (DCPS) • Defense Civilian Personnel Data System (DCPDS) • Defense Integrated Human Resource System (DIMHRS)
Property Accounting	<ul style="list-style-type: none"> • Defense Property Accounting System (DPAS) • Depot Maintenance/ Air Force Aviation Depots • Standard Army Procurement Appropriation System

**Core
Requirements**
continued

Function	Initiatives
Inventory Accounting	<ul style="list-style-type: none"> Accounting and Inventory Management System (AIMS) Management of Network Income, Expense, and Services (MONIES) Consolidated Acquisition Reporting System (CARS)
General Ledger	<ul style="list-style-type: none"> Defense Joint Accounting System (DJAS) Standard Accounting and Reporting System (STARS) Standard Accounting and Maintenance Army Research and Development System (SOMARDS) General Accounting and Finance System Reengineering (GAFS-R) Standard Accounting and Budget Reporting System (SABRS) NSA General Accounting and Reporting System (GAC) Defense Departmental Reporting System (DDRS) Centralized Accounting and Financial Resource Management System (CAFRMS) Mechanization of Contract Administration Services (MOCAS)
Funds Control	<ul style="list-style-type: none"> Program Budget Accounting System-Funds Distribution (PBAS-FD) Funds Control Information System (FuncIS)
Cost Accounting	<ul style="list-style-type: none"> Defense Industrial Financial Management System (DIFMS) Base Operations Support System (BOSS) Commodity Command Standard System (CCSS) Defense Business Management System (DBMS) Automated Billing Program (ABP) Defense Integrated Subsistence Management System (DISMS) Defense Working Capital Accounting System (DWAS) Fuels Accounting System (FAS) Financial Inventory Accounting and Billing System (FIABS) Industrial Fund Accounting System (IFAS) Material Financial Control System (MFCS) Standard Automated Material Management System (SAMMS) Standard Industrial Fund System (SIFS) Standard Material Accounting System (SMAS) Standard Financial Inventory Accounting and Reporting System (STARFIARS) Job Order Cost Accounting System (JOCAS) II Defense Integrated Finance System Redesign (DIFS-R)

**Core
Requirements**
continued

Function	Initiatives
Cash Management	<ul style="list-style-type: none">• Departmental Cash Accountability System (DCAS)• Departmental Cash Management System (DCMS)• Departmental Financial and Reconciliation System (DFRRS)

Infrastructure Requirements

Function	Initiatives
Human Resources	<ul style="list-style-type: none"> • Peoplesoft • Regionalization and Systems Modification (REG/MOD) • Civilian Career Management Program (CIVPROG) • Defense Enrollment Eligibility Reporting System (DEERS) • Health Standard Resource System (HSRS) • Concerto – Human Resources Management System (HRMS) • Core Financial Management Competencies
Internal Controls	<ul style="list-style-type: none"> • Operation Mongoose • Multilevel Information System Security Initiative (MISSI) • Activity Based Costing (ABC)/Management of Total Ownership NPR Goal • Defense Commissary Agency (DeCA) Interim Business System (DIBS) • Obligation/Disbursement Percentage Rates • Elimination of Unmatched Disbursements (EUD) • Implement Certifying Officers Legislation • Supply Chain Management (SCM)
System Applications	<ul style="list-style-type: none"> • Procurement Request Information System (PRISM) • Systems Inventory Database (SID) • OSD Information Technology Program (OSDITP) • Defense Environmental Security Corporate Information Management (DESCIM) • Automated Billing Program (ABP) • Momentum System • Defense Medical Logistics Standard Support (DMLSS) Program • Field Management Information System (FMIS)/ABS Integration • Integrated Logistics System (ILS) • Resource Analysis Decision Support System (RADSS) • Standard Automated Voucher Examination System (SAVES) • WHS Allotment Accounting System (WAAS)
Systems Architecture	<ul style="list-style-type: none"> • DoD Corporate Warehouse (DCW) • DoD Corporate Database (DCD)
Data Structures	<ul style="list-style-type: none"> • Budget and Accounting Classification Architecture (BACC) • Global Edit Tables (GET) • Integrated Digital Environment (IDE) • Standard Data Implementation Strategy (SDIS)

**Infrastructure
Requirements**
continued

Function	Initiatives
Organization	<ul style="list-style-type: none">• Operating location Business Process Reengineering (OPLOC-BPR)• Columbus MILCON/COMILCON• Operating Location Military Construction (OPLOCMILCON)• Transportation Commercial Activities (TRANS-CA)
Computer Security and Year 2000 (Y2K)	<ul style="list-style-type: none">• College and University Financial System (CUFS) Y2K• DFAS Year 2000• Defense Logistics Agency (DLA) Y2K

APPENDIX D

ACRONYMS

ACRONYMS

AA	Alternative Analysis
AAA	Authorization Accounting Activity
AAFES	Army Air Force Exchange System
AAS	Automated Accounting System
ABC	Activity-Based Costing
ABC MTO NPR	Activity Based Costing/Management for Total Ownership National Performance Review
ABIDES	Automated Budget Interactive Data Environment System
ABP	Automated Billing Program
ABS	Automated Balancing System
ABSS	Automated Business Services System
ACFAS	Army Central Fund Accounting System
ACLDB	Army Central Logistics Database
ACOS	Automated Commissary Operations System
ACPERS	Army Civilian Personnel System
ACRN/CLIN	Accounting Classification Reference Number and Contract Line Item Number
ACQFMWG	Acquisition Financial Management Working Group
ACQPANEL	Acquisition and Financial Management Panel
ADP	Automated Data Processing
ADS	Automated Disbursing System
AEMS	Aircraft Engine Management System
AEU	Accrued Expenditures Unpaid
AFAA	Air Force Audit Agency
AFB	Air Force Base
AFBAS	Air Force Base Accounting System
AFCEE	Air Force Center for Environmental Excellence
AFCOS	Automated Funds Control Order System
AFES	Automated Financial Entitlement System
AFIFICS	Airlift Services Industrial Fund Integrated Computer System
AFMIS	Automated Financial Management Information System
AFSCBUFS	Air Force Systems Command Base Level Unique Accounting and Finance Service
AFSUPSYS	Air Force Support System
AIMS	Accounting and Inventory Management System
AIRS	Aircraft Inventory Reporting System
AIS	Automated Information System
ALA	American Logistics Association
ALC	Agency Location Code
ALC	Air Logistics Center

AMARC	Aerospace Maintenance and Regeneration Center
AMC	Army Material Command
AMCMMIS	Army Material Command Automated Manpower Management Information System
AMCISS	Army Material Command Installation Supply System
AMMOLOGS	Ammunition Logistics System
AMRC-CBS	Aerospace Maintenance and Regeneration Center Cost and Billing System
AMS	Asset Management System
AMSMS	Ammunitions Storage Management System
AORS	Appercent Orders and Resource System
APADES	Automated Procurement and Accounting Data Entry
APCS	Automated Purchase Card System
API	Application Program Interface
APVM	Accounting Prevalidation Module
ARMS	Automated Resource Management System
ATAAPS	Automated Time, Attendance, and Production System
ATAMS	Automated Time and Attendance Muster System
ATE	Automatic Test Equipment
ATG	Assigned Trunk Group Cluster
ATLASS	Accounting Transaction Ledger Archival System
ATS	Automated Travel System
AVEDS	Automated Voucher Examination Disbursing System
AWCF	Army Working Capital Fund
BACC	Budget and Accounting Classification Code
BARS	Base Level Accounts Receivable System
BCAS	Base Contracting Automated System
BFEMS	Budget Formulation Execution Monitoring System
BFMIP	Biennial Financial Management Improvement Plan
BMDO	Ballistic Missile Defense Organization
BOSS	Base Operations Support System
BPI	Business Process Improvement
BPR	Business Process Review/Reengineering.
BRIM	Budget Resource Information Management
BUDCOST	Budget Management Cost System
BUPERS	Bureau of Naval Personnel System
C-E	Communications - Electronics
CAFRMS	Centralized Accounting and Financial Resource Management System
CAIMS	Conventional Ammunition Integrated Management System
CAPS	Computerized Accounting Payable System
CARS	Consolidated Acquisition Reporting System
CARS	Cargo System
CAS-A	Combat Automated System – Ammunition Control Point
CASCOM	Combined Arms Support Command
CASE	Computer Assisted Software Engineering
CAT	Customer Acceptance Testing

CAW	Certification Authority Workstation
CBSS	Combatant Craft Boat Support System
CBS-X-REQVAL	Continuing Balance System Expanded Requisition Validation
CCP	Centralized Check Printing
CCR	Centralized Contractor Registration
CCQAS	Centralized Credentials Quality Assurance System
CCSS	Commodity Command Standard System
CDA	Central Design Agency
CDB	Corporate Database
CDDB	Central Demand Data Base
CDCS	Corporate Data Collection System
CEFMS	Corps of Engineers Financial Management System
CEIS	Control Equipage Inventory System
CERPS	Central Expenditure Reporting Pay System
CFMC	Core Financial Management Competencies
CFO	Chief Financial Officer
CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
CHCS	Composite Health Care System
CIM	Corporate Information Management
CIO	Chief Information Officer
CIP	Civilian Intelligence Personnel
CISIL	Centralized Integrated System for International Logistics
CITS	Comptroller Information Transfer System
CIVPROG	Civilian Career Management Program
CMAS	Contract Management Analysis System
CMC	Commandant of the Marine Corps
CMCS	Case Management Control System
CMET	Consolidated Master Edit Table
CMIS	Configuration Management Information System
CNO	Chief of Naval Operations
COBOL	Common Business Oriented Language
COE	Common Operating Environment
COINS	Commercial Operations Integrated System
COMILCON	Columbus MILCON
Concept/Conops	Concept of Operations
CONSOL	Consolidation
CONUS	Continental United States
ConWrite	Contract Writing System
COPS	Create On-Line Procurement System
COTS	Commercial off-the-Shelf Software
CPAIS	Civilian Pay Accounting Information System
CPAS	Central Procurement Accounting System
CPDTWG	Civilian Professional Development Training Work Group
CPN	Contract Pay Notice
CPRRS	Civilian Personnel Resource Reporting System

CRISPS	Consolidated Return Items Stop Payment System
CSS	Combat Service Support
CSU	Customer Support Unit
CTARS	Computerized Time and Attendance Reporting System
CTO	Commercial Travel Offices
CUBIC	Computerized Utility Billing Integrated Control
CUFS	College and University Financial System
DAAS	Defense Automatic Addressing System
DADS	Defense Asynchronous Dial Up System
DAES	Defense Acquisition Executive Summary
DAISY	Defense Realization and Marketing Service Automated Information System
DAMMS-R	Department of the Army Movement Management System
DAO	Defense Accounting Office
DAPS	Defense Automated Printing Service
DARIC	Defense Automation Resources Information Center
DARPA	Defense Advanced Research Projects Agency
DAS	Defense Accounting System
DBMS	Defense Business Management System
DBMU	Defense Business Management University
DBOF	Defense Business Operating Fund
DCAS	Departmental Cash Management System
DCD	DFAS Corporate Data Base
DC II	DFAS Corporate Information Infrastructure
DCIS	Defense Criminal Investigative Service
DCMS	Departmental Cash Management System
DCPDS	Defense Civilian Personnel Data System
DCPS	Defense Civilian Pay System
DCRM	Defense Check Reconciliation Module
DCRS	Defense Cash Reporting System
DCW	DoD Corporate Data Warehouse
DDDS	Defense Data Dictionary System
DDMS	Defense Debt Management System
DDRS	Defense Departmental Reporting System
DeCA	Defense Commissary Agency
DEERS	Defense Enrollment Eligibility Reporting System
DELMARS	Data Element Management Accounting Report
DES	Document Entry System
DESC	Defense Energy Support Center
DESCIM	Defense Environmental Security Corporate Information Management
DFAAM	Defense Finance and Accounting Activity Model
DFAMS	Defense Fuels automated Management System
DFAPM	Defense Finance and Accounting Process Model
DFAS	Defense Finance and Accounting Service
DFRRS	Departmental Financial Reporting and Reconciliation System
DIBS	DeCA Interim Business Systems

DIFMS	Defense Industrial Financial Management System
DIFS	Defense Integrated Finance System
DII/COE	Defense Information Infrastructure/Common Operating Environment
DIMHRS	Defense Integrated Human Resource System
DISA	Defense Information System Agency
DISMS	Defense Integrated Subsistence Management Systems
DIST	Defense Integration Support Tools
DJAS	Defense Joint Accounting System
DJMS	Defense Joint Military Pay System
DLA	Defense Logistics Agency
DLSC	Defense Logistical Support Center
DMC	Defense Mega-Centers
DMDC	Defense Manpower Data Center
DMIF-ASSET	Aerospace Maintenance and Regeneration Center – Asset Control System
DMLSS	Defense Medical Logistics Standard Support
DMMIS	Depot Maintenance Management Information System
DMP	Data Management Plan
DoD	Department of Defense (The Department)
DoDEA	Department of Defense Education Activity
DoDIG	Department of Defense Inspector General
DoDSASP/UIT	DoD Small Arms Serialization Program/Unique System
DOLARS	Departmental Online Accounting and Reporting System
DOLFINS	Daily Orders, Ledger, Finance System
DoN	Department of the Navy
DoNIBIS	Department of the Navy Industrial Budget Information System
DoNPBAS	Department of the Navy Program Budget Accounting System
DOPS	Disbursing Officer Processing System
DPAS	Defense Property Accountability System
DPPS	Defense Procurement Payment System
DPSC	Defense Personnel Support Center
DPW	Directorate of Public Works
DRAPS	Defense Retiree and Annuitant Pay System
DRI	Defense Reform Initiative
DRMS	Defense Reutilization and Marketing Service
DSAA	Defense Security Assistance Agency
DSAMS	Defense Security Assistance Management System
DSAS	Defense Security Assistance Accounting System
DSB	Defense Science Board
DSDS-PMO	Defense Standard Disbursing Project Management Office
DSS	Direct Supply Support; Distribution Standard System
DSSC	Marine Corps Direct Supply Support Control
DSSN	Disbursing Station Symbol Number
DTRS	Defense Transportation Payment System
DTS	Defense Travel System
DWAS	Defense Working Capital Accounting System
DWCF	Defense Working Capital Fund

EA	Economic Analysis
EAS IV	Expense Assignment System IV
EASY	Engineering Administration System
EC/EDI	Electronic Commerce/Electronic Data Interchange
EDA	Electronic Data Access
EDI	Electronic Data Interchange
EDIPAC	Electronic Data Interchange Payment and Collection System
EDM	Electronic Document Management
EFT	Electronic Funds Transfer
EI	Enterprise Integration
ELAN	Enterprise Local Area Network
EMACS	Equipment Management and Control System
EOP	Executive Office of the President
EPR	Electronic Purchase Request
ETS	Electronic Time Keeping System
EUD	Elimination of Unmatched Disbursements
FACTS	Federal Agencies' Centralized Trial – Balance Systems
FAMS	Fuel Automated Management System
FAS	Fuels Accounting System
FASAB	Federal Accounting Standards Advisory Board
FD	Funds Distribution
FDA	Functional Data Administrators
FEA	Functional Economic Analysis
FEMS	Facility and Equipment Maintenance System
FEPPC	Facility Equipment Planning Programming and Control System
FFMIA	Federal Financial Management Improvement Act
FIABS	Fuels Inventory Accounting and Billing System
FINMIS	Financial Management Information System
FIRS	Financial Inventory Reporting System
FIRST	Financial Information Resource System
FIS	Financial Information System
FMET	Financial Management Educational Training
FMFLA	Federal Managers' Financial Integrity Act
FMIS	Field Management Information System
FMR	Financial Management Regulation
FM-REG	Financial Management Regulation
FMS	Foreign Military Sales
FMSCS	Foreign Military Sales Credit System
FOC	Full Operating Capability
FOSTR	Funds Off Station Transfer Requests
FRS	Financial Reporting System
FSA	Field Support Activity
FSO	Field Support Office
FTE	Full Time Equivalent
FTS	Full Time Support
GAAP	Generally Accepted Accounting Principles

GAC	National Security Agency's General Accounting and Reporting System
GAFS	General Accounting and Finance System
GAO	General Accounting Office
GAST	Global Accounting Structure Table
GBL	Government Bills of Lading
GCSS	Global Combat Support System
GET	Global Edit Table
GFMTTR	Government Furnished Material and End Item Transaction Reporting System
GFP	Government Furnished Property
G/L	General Ledger
GLAC	General Ledger Account Code
GLFC	General Ledger/Funds Control System
GOTS	Government-off -the -Shelf
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
GTR	Government Transportation Request
GUI	Graphical User Interface
HAS	Headquarters Application System
HQARS	Headquarters Accounting and Reporting System
HQDA	Headquarters, Department of the Army
HQEIS	Headquarters Executive Information System
HQ IFS-M	Headquarters Integrated Facilities System-Micro/Mini
HRMS	Human Resource Management System
HSMS	Hazardous Substance Management System
HSRS	Health Standard Resource System
IAPS	Integrated Accounts Payable System
IATS	Integrated Automated Travel System
ICP	Inventory Control Point
IDE	Integrated Digital Environment
IDP	Individual Development Plans
IDT	Inactive Duty Training
IEMS	Installation Equipment Management System
IFAS	Industrial Fund Accounting System
IFCDRS	Industrialized Fund Centralized Disbursement System
IG	Inspector General
ILAP	Integrated Logistics Analysis Program
ILSC	Industrial Logistics Systems Center
ILSMIS	Industrial Logistics Support Management Information System
IFS	Integrated Facilities System
IFS-M	Integrated Facilities System-Micro/Mini
IMACS	Interservice Material Accounting and Control System
IMDS	Integrated Maintenance Data Systems
IMEB	Information Management Executive Board
IMET	International Military Education and Training

IMPAC	International Merchant Purchase Authorization Card
IMRA	Information Technology Management Reform Act
IMWRP	Item Manager's Wholesale Requisition System
IOC	Initial Operating Capability
IPC	Integrated Paying and Collection System
IPMS	Information Processing Management System
IPT	Integrated Product Team
IRC	Issues Resolution Committee
ISO	Infrastructure Services Organization
ISSO	Information System Security Officer
IT	Information Technology
ITM	Inventory Technology Management
ITIMP	Integrated Technical Item Management Program
ITMP	Integrated Technical Management Program
ITSA	Information Technology Service Authorization/Acceptance
JAMSS	Joint Ammunition Management Standard System
JR & IO	Joint Requirements and Integration Office
JRISS	Joint Recruiting Information Support System
JFMIP	Joint Financial Management Improvement Plan
JLSC	Joint Logistics Center
JOCAS	Job Order Cost Accounting System
JTA	Joint Technical Architecture
JTAV	Joint Total Asset Visibility
JUSTIS	JUMPS Standard Terminal Input System
KAR	Key Accounting Requirement
L&P	Labor and Production
LAN	Local Area Network
LCM	Life Cycle Management
LRS	Labor Reporting System
LIF	Logistics Intelligence File
LMS	Labor Management System
LOGTAADS	Logistics Army Authorization Document System
MAARSII	Marine Ammunition Accounting and Reporting System II
MACOM	Major Army Commands
MAFR	Merged Accountability and Fund Reporting
MAIS	Major Automated Information System
MAISRC	Major Automated Information System Review Council
MAJCOM	Major Command
MAMCS	Maintenance Actual Material Cost System
MASS	Management Analysis Statistical System
MATES	Missile Command Automated Timecard Entry System
MCERRS	Marine Corps Expenditure and Reimbursement Reporting System
MCIFS	Marine Corps Industrial Fund System
MCMAAS	Marine Corps Miscellaneous Allotment Accounting System

MCTFS	Marine Corps Total Force System
MDAP	Major Defense Acquisition Programs
MEASURE	Metrology Automated System for a Uniform Recall and Reporting
MEO	Most Efficient Organization
MEPRS	Medical Expense Performance Reporting System
MEQS	Medical Expense and Performance Reporting System Executive Query System
MFCS	Material Financial Control System
MFMS	Missile Fuels Management System
MHS	Military Health Service
MICS	Military Integrated Control System
MILCON	Military Construction
MILDEP	Military Department
MILSCAP	Military Standard Contract Administration Procedures
MIPR	Military Interdepartmental Purchase Request
MISIL	Management Information System for International Logistics
MISSI	Multilevel Information System Security Initiative
MNS	Mission Need Statement
MOA	Memorandum of Agreement
MOCAS	Mechanization of Contract Administration Services
MOU	Memorandum of Understanding
MP	Manpower/Personnel
MRDB	Material Return Database
MRPII	Manufacturing Resources Planning II
MRTFB	Major Range Test Facility Base
MSC	Military Sealift Command
MTF	Military Treatment Facility
MTP	Manage to Payroll
MUMMS	Marine Corps Unified Material Management System
NADEP	Naval Aviation Depot
NAF	Non-Appropriated Funds
NAF-A	Non-Appropriated Fund-Accounting
NAF-P	Non-Appropriated Fund-Payroll
NALCOMIS	NAVAIR Logistics Command Information System
NAS	Naval Audit Service
NAVAIRSYSCOM	Naval Air Systems Command
NAVCOMPT	Navy Comptroller
NAVFAC	Naval Facilities Engineering Command
NAVSUP	Naval Supply Systems Command
NAWCAD	Navair Warfare Center Aircraft Division
NCTS	Navy Command Tactical System
NES	Navy Enlisted System
NFADB	Navy Facility Assets Data Base
NFESC	Naval Facilities Engineering Service Center
NIFMS	NAVAIR Industrial Financial Management System
NIMA	National Imagery and Mapping Agency

NIMMS	NAVAIR Industrial Material Management System
NIPRNET	Non-classified Internal Protocol Router Network
NOMIS	Naval Ordnance Management Information System
NORM	Normalization of Data System
NPR	National Performance Review
NRLNIF	Naval Research Lab Navy Industrial Fund
NRS	Navy Register System
NWCF	Navy Working Capital Fund
NULO	Negative Unliquidated Obligation
NVR	Naval Vessel Register
O & M	Operations and Maintenance
OFMIS	OCAR Financial Management System
OJT	On-the-job training
OLVIMS	On-Line Vehicle Interactive Management System
OMA	Operations and Maintenance
OMB	Office of Management and Budget
ONR	Office of Naval Research
O&P	Outsourcing and Privatization
OPA	OCAR Financial Management Information System
OPAC	On-Line Payment and Collection
OPLOC	Operating Location
OPM	Office of Personnel Management
OPMILCON	Operating Location Military Construction
OPR	Office of Primary Responsibility
ORD	Operational Requirements Document
OSE	Open System Environment
OSD	Office of the Secretary of Defense
OSDITP	OSD Information Technology Program
OUSD (A&T)	Office of the Under Secretary of Defense (Acquisition and Technology)
OUSD (C)	Office of the Under Secretary of Defense (Comptroller)
OUSD(PR)	Office of the Under Secretary of Defense for Personnel and Readiness
P P & E	Property, Plant, and Equipment
PAC	Pacific Base Access Facility
PADDs	Procurement Automated Data and Document System
PAS	Property Account System
PAXIS	Patuxent Inventory System for Property
PAYS	Payable System
PBAS	Program Budget Accounting System
PCAD	Property Custody and Depreciation
PCIM	Procurement Corporate Information Management
PCS	Permanent Change of Station
PDA	PerDiem Azing
PDMSS	Post Development Management Software Support, Production Definition Management Support System
PDS	Personnel Data System
PEO	Program Execution Office

PET	Program Event Transaction
PKI	Public Key Infrastructure
PM	Program Manager
PMO	Program Management Office
PMP	U.S. Navy Plant and Minor Property Accounting System
PMRS	Property Management Resources System
PO5	Production System
POA&M	Plan of Actions and Milestones
POCS	Project Order Cost System
POM	Program Objective Memorandum
POS	Point of Sale
PPA	Prompt Payment Act
PPBS	Program, Planning, and Budget System
PPVM	Payment Pre-Validation Module
PRISM	Procurement Request Information System
PRMIS	Printing Resource Management Information System
PRODCOST	Production Cost System
PROMIS	Program/Project Management Information System
PSD	Personnel Support Detachments
PWC	Public Works Center
PWCMIS	Public Works Center Management Information Center
QDR	Quadrennial Defense Review
QOT&E	Qualification Operational Test & Evaluation
QRW	Quick Response Work
R&D	Research and Development
RADSS	Resource Analysis Decision Support System
RAMP	Reportable Assembly Management Process
RAPS	Requisition Automated Processing System
RCC	Resource Control Center
RCR	Re-certification Check System
RCIRS	Recoverable Consumption Item Requirements System
RCIS	Recoverable and Consumable Item Stratification
R D T & E	Research, Development, Test, and Evaluation
RDB	Requirements Data Bank
RDBMS	Relational Database Management System
REMIS	Reliability and Maintainability Information Systems
RESFOR	Reserve Force
RETAPS	Real Time and Attendance Processing System
RFP	Request For Proposal
RIMS	Real Time Information Management System
RMS	Requirements Management System
ROI	Return on Investment
RPMA	Real Property Maintenance Activity
RSC	Regional Service Center
RSTARS	Reserve Standard Training and Administrative Support System
SA	Security Assistance

SAACONS	Standard Army Automated Contracting System
SAAS	Standard Army Ammunition System
SABRS	Standard Accounting and Budget Reporting System
SAC 207	Shipboard Uniform ADP System Special Accounting 207
SAILS	Standard Army Intermediate Level Supply
SAMS	Suspense Aging Monitoring System
SAMMS	Standard Automated Materiel Management System
SAR	Selected Acquisition Report
SARRS	Standard Army Retail Supply System
SARSS	Standard Army Retail Supply System
SASSY	Supported Activity Supply System
SAT	System Acceptance Test
SAVES	Standard Automated Voucher Examination System
SBF	Statement Billing File
SBP	Strategic Business Plan
SBSS	Standard Base Supply System
SCM	Supply Chain Management
SCR	System Change Request
SCS	Stock Control System
SDA	Source Data Automation
SDISTRAT	Standard Data Implementation Strategy
SDS	Standard Depot System
SDW	Standard Data Warehouse
SE	Support Equipment
SEO/MP	Systems Executive Office for Manpower and Personnel
SFFAS	Statement of Federal Financial Standards
SGL	Standard General Ledger
SHADE	Shared Data Environment
SID	Systems Inventory Database
SIDPERS	Standard Installation/Division Personnel System
SIFS	Standard Industrial Fund System
SIMMSS	Store Item Management and Merchandise Support System
SIT	System Integration Testing
SLDCADA	Standard Labor Data Collection and Distribution Application
SMAG	Supply Management Activity Group
SMAS	Standard Materiel Accounting System
SNIPS	Standard Negotiable Instrument Processing System
SNUD	Stock Number User Directory
SOE	Standard Operating Environment
SOMARDS	Standard Accounting and Maintenance Army Research and Development System
SPBS-R	Standard Property Book System
SPEDI	Small Procurement Electronic Data Interface
SPIMS	Supply and Programmatic Integrated Management System
SPMS	Standard Personnel Management System
SPS	Standard Procurement System

SQL	Structured Query Language
SRD 1	Standard Finance System Redesign, Subsystem I
S&S	Systems and Services
SSSCD	Special Support Stock Control and Distribution System
STANFINS	Standard Finance System
STARFIARS	Standard Financial Inventory Accounting and Reporting System
STARS	Standard Accounting and Reporting System (Navy)
SUADPS	Shipboard Uniform Automated Data Processing
SUPDESK	Supervisor's Desk
SYMIS	Shipyards Management Information System
T&A	Time and Attendance
TAEDP	Total Army Equipment Distribution List
TALPRS	Time, Attendance, Labor, and Productivity Reporting System
TAMMIS	Theatre Army Medical Management Information System
TAMS	Test and Monitoring Systems
TAPDB-R	Total Army Personnel Database Reserve
TASYS	Time and Attendance Reporting System
TAV	Total Asset Visibility
TCP/IP	Transmission Control Protocol/ Internet Protocol
TDY	Temporary Duty
TFO	Transaction for Other
TLS	Time and Labor System
TMDE	Test Measurement and Diagnostic Equipment System
TMP	Travel Manager Plus
TMR	Transfer of Management
TMS	Transportation Management System
TOA	Total Obligation Authority
TPOCS	Third Party Outpatient
TRADOC	Training and Doctrine Command
TTOPRS	Transportation Ticket Obligation/Payment/Refund System
TUFMIS	Tactical Unit Financial Management Information System
UADPS	Uniformed Automated Data Processing System
UASCP	Army Small Computer Program
UCAPERS	Uniform Chart of Accounts Personnel System
UICP	Uniform Inventory Control Point
UIT	Unique Item Tracking
ULLS-S4	Unit Level Logistics System
ULLS-G	Unit Level Logistics System-Ground
UMD	Unmatched Disbursement
USAF	United States Air Force
USD	Under Secretary of Defense
U.S. SGL	The United States General Ledger
VAMOSOC	Visibility and Maintenance of Support Capability
VAN	Value-Added-Network
WAAS	WHS Allotment Accounting System
WARS	Worldwide Ammunition Reporting Stem-New Technology

WCF	Working Capital Fund
WDPS	Weapons Division Property System
WHS	Washington Headquarters Services
WIMS	Work Order Information Management Systems
WRRS	Wholesale and Retail Receiving/Shipping System
WYPC	Work Year Personnel Costs
Y2K	Year 2000